92-2229

A	APOGEE ENTERPRISES INC	10Q	05-30-92
B	AUBURN EQUITIES INC	10Q	09-30-91
C	CARDIAC RESUSCITATOR CORP	10Q	03-31-92
D	CASCADE INTERNATIONAL INC	10Q	03-31-92
E	COMNET CORP	10Q	12-31-91
F	FRANK E. BEST INC	10Q	03-31-92
G	FREMONT ENERGY CORP	10Q	09-30-91
H	FUTURE COMMUNICATIONS INC	10Q	04-30-92
I	GVC VENTURE CORP	10Q	03-31-92
J	INNOVATIVE TECH SYSTEMS INC	QA	07-31-91
J	INNOVATIVE TECH SYSTEMS INC	10Q	07-31-91
K	INTERNATIONAL SPEEDWAY CORP	10Q	05-31-92
L	KINGFISHER BANCORP INC	10Q	06-30-92
M	MCORP	10Q	03-31-92
N	PAUDAN INC	10Q	03-31-92
O	PENNSYLVANIA GAS AND WATER CO	10Q	03-31-92
P	PEOPLES BANCTRUST CO INC	10Q	03-31-92
Q	POCONO HOTELS CORP	10Q	03-31-92
R	ROANOKE GAS CO	10Q	03-31-92
S	S.Y. BANCORP INC	10Q	03-31-92
T	WALKER (B.B.) CO	10Q	01-31-92

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended May 30, 1992

Commission File Number 0-6365

APOGEE ENTERPRISES, INC.
(Exact Name of Registrant as Specified in Charter)

Minnesota	41-0919654
(State of Incorporation)	(IRS Employer ID No.)

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7900 Xerxes Avenue South, Suite 1800, Minneapolis, Minnesota 55431
(Address of Principal Executive Offices)

Registrant's Telephone Number (612) 835-1874

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO ____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the latest practicable date.

Class	Outstanding at June 30, 1992
Common Stock, $.33⅓ Par Value	13,095,635

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APOGEE ENTERPRISES, INC.
FORM 10-Q
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FOR THE QUARTER ENDED MAY 30, 1992

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APOGEE ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Thousands of Dollars)

ASSETS	May 30, 1992 (Unaudited)	February 29, 1992 (Audited)
Current assets		
Cash and cash equivalents	$ 13,049	$ 18,742
Receivables, net	93,298	93,093
Inventories	39,058	39,489
Deferred income taxes	9,910	9,610
Other current assets	2,315	5,442
Total current assets	157,630	166,376
Property, plant and equipment, net	68,978	70,581
Intangible assets, at cost less accumulated amortization	5,448	5,599
Investments in and advances to affiliated companies	6,188	5,802
Other assets	1,165	1,151
Total assets	$239,409	$249,509
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 29,424	$ 33,639
Accrued expenses	30,561	37,720
Billings in excess of costs and earnings on uncompleted contracts	17,013	16,472
Accrued income taxes	5,471	9,018
Notes payable	300	-
Current installments of long-term debt	4,166	4,162
Total current liabilities	86,935	101,011
Long-term debt	27,252	25,267
Deferred income taxes	1,890	1,946
Other long-term liabilities	9,032	7,504
Shareholders' equity		
Common stock, $.33⅓ par value; authorized 50,000,000 shares; issued and outstanding 13,574,000 and 13,461,000 shares, respectively	4,525	4,487
Additional paid-in capital	16,326	14,908
Retained earnings	93,449	94,386
Total shareholders' equity	114,300	113,781
Total liabilities and shareholders' equity	$239,409	$249,509

See accompanying notes to consolidated financial statements.

APOGEE ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED RESULTS OF OPERATIONS
FOR THE QUARTERS ENDED MAY 30, 1992 AND JUNE 1, 1991

(Thousands of Dollars Except Share and Per Share Amounts)
(Unaudited)

	Quarter Ended	
	May 30, 1992	June 1, 1991
Net sales	$130,878	$133,755
Cost of sales	111,642	110,617
Gross profit	19,236	23,138
Selling, general and administrative expenses	18,164	17,305
Equity in net loss of affiliated companies	28	812
Operating income	1,044	5,021
Interest expense, net	494	397
Earnings before income taxes	550	4,624
Income taxes	231	1,919
Net earnings	$ 319	$ 2,705
Weighted average number of common and common equivalent shares outstanding	13,513,000	13,539,000
Earnings per share	$ .02	$ .20
Cash dividends per common share	$ .065	$ .065

See accompanying notes to consolidated financial statements.

APOGEE ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MAY 30, 1992 AND JUNE 1, 1991

(Thousands of Dollars)
(Unaudited)

	1992	1991
OPERATING ACTIVITIES		
Net earnings	$ 319	$ 2,705
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	3,965	3,795
Provision for losses on accounts receivable	335	632
Non-current deferred income taxes	(56)	(678)
Equity in net loss of affiliated companies	28	812
Other, net	(405)	441
Changes in operating assets and liabilities, net of effect of acquisitions:		
Receivables	(540)	(7,960)
Inventories	431	(569)
Other current assets	3,127	(8,029)
Accounts payable and accrued expenses	(11,374)	(11,773)
Billings in excess of costs and earnings on uncompleted contracts	541	12,930
Accrued and current deferred income taxes	(3,847)	4,453
Other long-term liabilities	1,528	582
Net cash used in operating activities	(5,948)	(2,659)
INVESTING ACTIVITIES		
Capital expenditures	(2,304)	(4,247)
Acquisition of businesses, net of cash acquired	(250)	(226)
Investments in and advances to affiliated companies	(414)	(55)
Other, net	734	(371)
Net cash used in investing activities	(2,234)	(4,899)
FINANCING ACTIVITIES		
Payments on long-term debt	(11)	(115)
Proceeds from issuance of long-term debt	2,300	-
Proceeds from issuance of common stock	1,508	61
Repurchase and retirement of common stock	(426)	(103)
Dividends paid	(882)	(876)
Net cash provided by (used in) financing activities	2,489	(1,033)
Decrease in cash	(5,693)	(8,591)
Cash at beginning of period	18,742	20,468
Cash at end of period	$ 13,049	$ 11,877

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Principles of Consolidation

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of May 30, 1992 and June 1, 1991, and the results of operations and cash flows for the thirteen weeks ended May 30, 1992 and June 1, 1991. Certain prior year amounts have been reclassified to conform to the current period presentation.

The financial statements and notes are presented as permitted by Form 10-Q and do not contain certain information included in the Company's annual financial statements and notes.

The results of operations for the thirteen-week period ended May 30, 1992 and June 1, 1991 are not necessarily indicative of the results to be expected for the full year.

Accounting period

The Company's fiscal year ends on the Saturday closest to February 28. Each interim quarter ends on the Saturday closest to the end of the months of May, August and November.

2. Inventories

Inventories consist of the following:

	May 30, 1992	February 29, 1992
Raw materials and supplies	$ 8,592	$ 8,269
In process	2,689	2,515
Finished goods	23,419	25,158
Costs in excess of billings	4,358	3,547
	$39,058	$39,489

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Sales and Earnings

First quarter net sales of $130.9 million were down slightly from $133.8 million in fiscal 1992. Net earnings of $319,000, or 2 cents per share, declined sharply from $2.7 million, or 20 cents per share, a year earlier.

Divisional sales and operating results were mixed when compared to the same quarter a year ago and are discussed below. The following table presents the percentage change in sales and operating income for the Company's four divisions and on a consolidated basis for the first quarter, when compared to the corresponding period a year ago.

Division	Percentage Change	
	Sales	Operating Income
Commercial Construction	(5%)	(93%)
Window Fabrication	(24%)	(91%)
Glass Fabrication	5%	445%
Installation and Distribution	5%	61%
Consolidated	(2%)	(88%)

Commercial Construction

The Commercial Construction Division (CCD) encountered rugged conditions during the first quarter. Lower revenues adversely impacted operating income when compared with a year ago. The decline was also attributable to high up-front marketing and selling costs related to CCD's pursuit of international projects and the recently entered security/detention markets. The division continues to win a significant share of business still available in traditional markets; however, CCD expects a continued slump in domestic commercial construction and more competitive bidding in institutional markets. These factors, along with high marketing costs, will combine to significantly reduce operating income in fiscal 1993.

CCD's backlog, representing 86% of the Company's backlog, decreased 2% from year-end to $196 million, the result of slower bidding activity. Overall, the Company's consolidated backlog of $228 million was down marginally from $232 million, at both the close of the fourth quarter and twelve months earlier.

Window Fabrication

The Window Fabrication Division (WFD), which also serves the commercial and institutional construction markets, reported a sharp decline in operating income. Limited industry activity resulted in weakened sales for the division's architectural companies. These units experienced poor operating results due to low production volumes and very competitive bidding for available work. The window coverings companies posted strong sales and profits for the first quarter. WFD expects the remainder of the year to be very challenging for its architectural companies as incoming orders are not likely to reach the levels needed to operate the division's facilities at consistently high volumes.

Glass Fabrication

The Glass Fabrication Division (GFD) had a solidly profitable first quarter as benefits from the closing of the West Coast operations began to be realized. Sales volume was higher for the Viracon architectural unit but continued pricing pressures held margins down. Repercussions of the consolidation in the auto glass replacement industry continued to impact the sales and margins of Curvite, GFD's auto glass fabrication unit. The division's Tru Vue unit exceeded expectations, with first quarter operating income surpassing fiscal 1992 full-year results. Although the division expects to be profitable in fiscal 1993, pricing pressures will continue to hold down margins and operating profits in the short term.

Marcon Coatings (Marcon), a 50%-owned joint venture, recorded strong sales and profits for the quarter. Marcon began construction on an addition to its current facility. The addition will house the coater moved from the West Coast and will allow Marcon to produce residential and architectural glass coatings simultaneously.

Installation and Distribution

The Installation and Distribution Division (IDD) reported improved results when compared to a very low base a year ago. IDD continues to feel the effects of price erosion due to intense competition for large volume, insurance-related business. While IDD's sales growth was encouraging, the division expects pricing pressures to make significant growth difficult in the near term. IDD continues to focus on cost reductions in conjunction with efficiency programs, while maintaining superior customer service. IDD believes providing excellent customer service to be the best long-term strategy in the automotive glass replacement industry.

The division added two retail units while closing 13, leaving 248 retail locations at the end of the first quarter. IDD continues to closely monitor the performance of all of its locations.

Other

Viratec Thin Films (Viratec), a 50%-owned joint venture, further reduced its quarterly losses while it began to grow sales of its proprietary coated glass products. Viratec hopes to achieve further sales and operational improvements in the upcoming months.

Consolidated

The following table compares quarterly results with a year ago results, as a percentage of sales, for each caption.

	Percentage of Sales	
	1992	1991
Net sales	100.0	100.0
Cost of sales	85.3	82.7
Gross profit	14.7	17.3
Selling, general and administrative expenses	13.9	12.9
Equity in net loss of affiliated companies	-	0.6
Operating income	0.8	3.8
Interest expense, net	0.4	0.3
Earnings before taxes	0.4	3.5
Income taxes	0.2	1.4
Net earnings	0.2	2.1
Effective tax rate	42.0%	41.5%

On a consolidated basis, the cost of sales percentage increased as all divisions felt the effects of intensely competitive pricing. Selling, general and administrative expenses rose as efforts to further penetrate new and existing markets continued, particularly at CCD and IDD.

Equity in net losses of affiliates dramatically decreased as improved profits at Marcon nearly offset the reduced losses of Apogee's other joint venture, Viratec.

Net interest expense grew marginally, largely due to lower interest income.

The effective income tax rate increased slightly and remains volatile due to the significant impact of joint venture results, which are not included in Apogee's consolidated tax return. The Company expects to adopt the FASB Statement No. 109 in fiscal 1994. The effect of this adoption is expected to be immaterial.

Liquidity and Capital Resources

Cash decreased from the beginning of the year as seasonal working capital needs were met and payments on outstanding payables and income taxes were made. Accounts receivable and inventory levels were unchanged from year-end levels, as collections essentially equalled billed sales.

Accounts payable and accrued expenses decreased from year end, reflecting the corresponding decrease in cash. Billings in excess of costs and earnings on uncompleted contracts remained about even with year-end levels.

Additions to property, plant and equipment totaled $2,304,000, with almost $500,000 of the expenditures for improvement of the Company's information systems most notably at IDD and CCD. The remainder of the additions related to replacements of equipment and leasehold improvements.

PART II

OTHER INFORMATION

ITEM 4. Submission of Matters to a Vote of Security Holders

Apogee Enterprises, Inc. Annual Meeting of Shareholders was held on June 23, 1992.

The election of directors and the ratification of the selection of the Company's auditors were approved by the shareholders.

In addition, the shareholders approved an amendment to the 1987 Apogee Enterprises, Inc. Partnership Plan to increase the number of shares of common stock authorized for issuance under the plan from 500,000 to 1,100,000.

The total number of shares of Apogee Enterprises, Inc. Common Stock, $.33⅓ par value, outstanding on April 30, 1992, the record date for the Annual Meeting, was 13,462,436. A minimum of 11,403,709 votes was received on all proposals, and all proposals were approved by a majority of 90% or greater.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit 11. Statement of Determination of Common Shares and Common Share Equivalents.

(b) The Company did not file any reports on Form 8-K during the quarter for which this report is filed.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

APOGEE ENTERPRISES, INC.

Date: 7/10/92

William G. Gardner
Treasurer, Chief Financial Officer
and Secretary

Date: 7/10/92

Thomas N Adamson

Thomas N. Adamson
Vice President of Planning and Control

EXHIBIT II

STATEMENT OF DETERMINATION OF COMMON SHARES AND COMMON SHARE EQUIVALENTS

	Average No. of Common Shares & Common Share Equivalents Assumed to be Outstanding During the Quarter Ended:	
	May 30, 1992	June 1, 1991
Weighted average number of common shares outstanding (a)	13,502,296	13,477,582
Common share equivalents resulting from the assumed exercise of stock options (b)	10,286	61,082
Total primary common shares and common share equivalents	13,512,582	13,538,664

(a) Beginning balance of common stock adjusted for changes in amount outstanding, weighted by the elapsed portion of the period during which the shares were outstanding.

(b) Common share equivalents computed by the "treasury" method. Share amounts represent the dilutive effect of outstanding stock options which have an option value below the average market value for the current period.

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FORM 10-Q

MANUALLY EXECUTED

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1991.

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B92-2229

OR

___ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

RECD S.E.C.

For the transition period from ____________ to ____________

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Commission file number: 33-41809-D

Auburn Equities, Inc.
(Exact name of Registrant as specified in its charter)

Colorado	84-1118262
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

3441 South Lincoln, Englewood, Colorado 80110
(Address of principal executive offices and Zip Code)

(303) 781-1115
(Registrant's telephone number)

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____
(Former name, former address and former fiscal year, if changed since last report)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 of 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes X No ___

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15 (d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.
Yes ___ No ___

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of Class	Shares Outstanding at March 15, 1992
Common stock, $.00001 par value	184,478

AUBURN EQUITIES, INC.

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PART I. FINANCIAL INFORMATION

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AUBURN EQUITIES, INC.
(A Development Stage Company)

BALANCE SHEET

December 31, 1990 and September 30, 1991

ASSETS

	December 31, 1990	September 30, 1991 (Unaudited)
Current asset:		
Cash	$ -	$ 5
Other assets:		
Deferred stock offering costs (Note 2)	-	12,710
Organizational costs, net of accumulated amortization of $383 (1990) and 533 (1991)	617	467
	$ 617	$13,182

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	December 31, 1990	September 30, 1991 (Unaudited)
Current liabilities:		
Accounts payable	$ 2,135	$ 935
Due to shareholder	-	5,800
Total current liabilities	2,135	6,735
Commitments and contingencies (Note 4)		
Stockholders' equity (deficit):		
Preferred stock, $.01 par value; 100,000 shares authorized, none issued	-	-
Common stock, $.00001 par value; 900,000,000 shares authorized, 50,000 shares in 1990 and 144,500 shares in 1991 issued and outstanding (Notes 3 and 4)	1	1
Additional paid-in capital	11,999	23,339
Deficit accumulated during the development stage	(13,518)	(16,893)
Total stockholders' equity (deficit)	(1,518)	6,447
	$ 617	$13,182

See accompanying notes.

AUBURN EQUITIES, INC.
(A Development Stage Company)

STATEMENT OF OPERATIONS

For the Three Months and Nine Months Ended September 30, 1990 and 1991
And For the Period from Inception to September 30, 1991
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,		Cumulative amounts from inception
	1990	1991	1990	1991	
Revenues	$ -	$ -	$ -	$ -	$ -
Costs and expenses:					
Amortization	50	50	150	150	533
General and administrative	-	999	159	3,225	4,086
Expenses of unsuccessful public offering	-	-	-	-	12,274
Total costs and expenses	50	1,049	309	3,375	16,893
Net loss	$ (50)	$ (1,049)	$ (309)	$(3,375)	$(16,893)
Net loss per share of common stock	$ *	$ (.01)	$ (*)	$ (.02)	$ (.12)
Weighted average number of shares outstanding	144,500	144,500	144,500	144,500	144,500

* Less than $(.01) per share

See accompanying notes.

AUBURN EQUITIES, INC.
(A Development Stage Company)

STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

For the Period from January 24, 1989 (Inception) To September 30, 1991

(Information pertaining to the nine months ended September 30, 1991 is unaudited)

	Common Stock		Additional paid-in capital	Deficit accumulated during the development stage
	Shares	Amount		
Common stock issued for cash to officers and directors and another individual at $.24 per share	50,000	$ 1	$11,999	$ -
Net loss for the period from January 24, 1989 (inception) to December 31, 1989	-	-	-	(13,159)
Balance at December 31, 1989	50,000	1	11,999	(13,159)
Net loss for the year ended December 31, 1990	-	-	-	(359)
Balance at December 31, 1990	50,000	1	11,999	(13,518)
Common stock issued for cash to officers and directors and another individual at $.12 per (Note 3)	87,500	-	10,500	-
Common stock issued for services to an officer and director at $.12 per share (Note 3)	7,000	-	840	-
Net loss for the nine months ended September 30, 1991	-	-	-	(3,375)
Balance at September 30, 1991	144,500	$ 1	$23,339	$(16,893)

See accompanying notes.

AUBURN EQUITIES, INC.
(A Development Stage Company)

STATEMENT OF CASH FLOWS

For the Nine Months Ended September 30, 1990 and 1991
And Cumulative Amounts from Inception to September 30, 1991
(Unaudited)

	Nine months ending September 30, 1990	Nine months ending September 30, 1991	Cumulative amounts from inception
Cash flows from operating activities:			
Net loss	$ (309)	$(3,375)	$(16,893)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization	150	150	533
Common stock issued for services	-	840	840
Increase (decrease) in accounts payable	-	(1,200)	935
Total adjustments	150	(210)	2,308
Net cash used in operations	(159)	(3,585)	(14,585)
Cash flows from investing activities:			
Organization costs	-	-	(1,000)
Cash flows from financing activities:			
Proceeds from issuance of common stock	-	10,500	22,500
Deferred offering costs	-	(12,710)	(12,710)
Increase in amount due to shareholder	-	5,800	5,800
Net cash provided by financing activities	-	3,590	15,590
Increase (decrease) in cash	(159)	5	5
Cash at beginning of period	159	-	-
Cash at end of period	$ -	$ 5	$ 5

See accompanying notes.

AUBURN EQUITIES, INC.
(A Development Stage Company)

NOTES TO UNAUDITED FINANCIAL STATEMENTS

December 31, 1990 and September 30, 1991

1. Organization and summary of significant accounting policies

Organization:

Auburn Equities, Inc. was incorporated in Colorado on January 24, 1989 (inception), for the purpose of obtaining capital to take advantage of business opportunities which have potential for profit. The Company is considered to be a development stage enterprise as more fully defined in Statement No. 7 of the Financial Accounting Standards Board. Since inception, the Company has been engaged primarily in organizational and fund raising activities.

Basis of presentation:

The accompanying financial information for the three month and nine month periods ended September 30, 1990 and 1991 in this report have been prepared by the Company without audit pursuant to the rules and regulations of the Securities and Exchange Commission and reflect, in the opinion of management, all adjustments necessary to present fairly the results of the operations of the interim periods presented herein. Certain information in footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations, although the Company believes the disclosures presented herein are adequate to make the information presented not misleading. It is suggested that these condensed financial statements be read in conjunction with the complete financial statements and notes thereto included in the Company's Registration Statement on Form S-18 for the year ended December 31, 1990, which report has been filed with the Securities and Exchange Commission, and is available from the Company.

2. Deferred stock offering costs

Deferred stock offering costs represent costs incurred to September 30, 1991, in connection with the offering of common stock to the public (see Note 4). Costs incurred as of September 30, 1991, and additional costs incurred subsequent to that date will be charged against the proceeds of the offering.

3. Common stock

In April of 1991, the Company issued 94,500 shares of its $.00001 par value common stock to officers and directors and another individual pursuant to a private offering, for cash consideration of $10,500 and services valued at $840 ($.12 per share).

3. Common stock (continued)

In April of 1991, the Company's Board of Directors and shareholders authorized 1000-for-one reverse stock split. Retroactive effect has been given to the stock split in all share and per share data in the accompanying financial statements.

4. Subsequent event

On December 16, 1991, the Company successfully completed a public offering of 39,003 units (one share of its $.00001 par value common stock and one Class A warrant) at $6.00 per unit, pursuant to a Registration Statement filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended. Each Class A warrant entitles the holder to purchase one share of common stock for $7.00 per share and receive one Class B warrant. Each Class B warrant entitles the holder to purchase one share of common stock for $8.00 per share. The Class A warrants are exercisable at any time during a twelve month period following the effective date of the offering (September 11, 1991) and the Class B warrants are exercisable at any time within twenty-four months from the effective date of the offering. The warrants are callable and cancelable by the Company upon 30 days prior written notice to the warrantholders.

Pursuant to the requirements of the Colorado Securities Act, the Company has escrowed 80% of the net proceeds of this offering ($146,000) until such time as the Company enters into a definitive merger or acquisition agreement with a target company. In the event that the Company has not entered into such an agreement within two years after the effective date of the offering, the Company will distribute the escrowed amount to the public shareholders of the Company on a pro-rata basis.

In connection with the public offering, the underwriter acquired from the Company 975 shares of the Company's $.00001 par value common stock (one share of common stock for every 40 units sold in the offering) for a total purchase price of $100.

In connection with the offering the Company has incurred legal, accounting, printing, a 3% non-accountable expense allowance and a 1% accountable expense allowance to the underwriter and other costs totaling approximately $42,000 associated with the offering, exclusive of broker-dealer commissions.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Material Changes in Financial Condition

At September 30, 1991, the Company had a working capital deficiency of $6,730 as compared to a working capital deficiency of $2,135 on December 31, 1990. The increase is attributed primarily to costs incurred in connection with the stock offering. The Company has not generated any revenues to date and has been required to expend working capital on organizational expenses and stock offering costs.

On December 16, 1991 the Company closed its public offering with the sale of 39,003 units for gross proceeds of $234,018. The Company received net proceeds of $198,492 after deduction of underwriting commissions of $23,402 and expense allowance of $9,361. After payment of offering expenses the Company will retain net proceeds from the offering of $176,645, of which $146,000 is escrowed until such time as the Company enters into a definitive merger or acquisition agreement with a target company.

The Company's unaudited summary balance sheet as of December 31, 1991, which reflects the net proceeds received from the public offering, is as follows:

BALANCE SHEET

December 31, 1991
(Unaudited)

ASSETS	
Current Asset:	
Cash	$183,561
Other assets:	417
Total	$183,978
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liability:	
Accounts payable	$ 935
Stockholders' equity:	
Common stock, $.00001 par value; 900,000,000 shares authorized, 183,503 shares issued and outstanding	1
Additional paid-in capital	199,985
Deficit accumulated during the development stage	(16,943)
Total stockholders' equity	183,043
Total	$183,978

Material Changes in Results of Operations

The Company has not yet commenced operations. It is anticipated that the Company will continue to incur losses in the near future.

With the completion of the Company's public offering, the Company is proceeding with its business plan to seek, investigate and acquire an interest in a business opportunity.

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K

During the quarter ended September 30, 1991, the Registrant filed no reports on Form 8-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AUBURN EQUITIES, INC.

Dated: March 15, 1992

By ____________________
A. Jay Boisdrenghien
President

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UNITED STATES
ES AND EXCHANGE COMMISSION
ashington, D.C. 20549

FORM 10-Q

(Mark One)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 1992

or

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______________ to ______

Commission file number 0-10574

BEST COPY AVAILABLE

CARDIAC RESUSCITATOR CORPORATION
(Exact name of registrant as specified in its charter)

OREGON (State or other jurisdiction of incorporation or organization)	22-2305475 (I.R.S. Employer Identification No.)
5601 Westside Avenue, North Bergen, New Jersey (Address of principal executive offices)	07047 (Zip code)

(201)854-6600
(Registrant's telephone number, including area code)

(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [ ] Yes [X] No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. [ ] Yes [ ] No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of common stock as of March 31, 1992: 17,971,775.

CARDIAC RESUSCITATOR CORPORATION

STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Net revenues	$ 72,800	$
Selling, general & administrative expenses	16,800	13,200
Gain on sale of marketable securities	(27,000)	
Interest expense - net	13,400	14,300
	3,200	27,500
NET INCOME (LOSS)	$ 69,600	$ (27,500)
Net income (loss) per common share .	$ ---	$ ---
Weighted average number of common shares outstanding.	17,971,775	17,971,775

The accompanying notes are an integral part of these interim financial statements.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CARDIAC RESUSCITATOR CORPORATION

BALANCE SHEETS
(Unaudited)

	March 31, 1992	December 31, 1991
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 337,100	$ 225,500
Royalty receivable	50,800	31,200
Prepaid expenses and other current assets	12,800	19,100
Marketable security (at cost; market value - $49,500)		38,400
Total current assets	400,700	314,200
TOTAL	$ 400,700	$ 314,200
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	$ 39,200	$ 24,900
Advances from Emerson Radio Corp. .	131,700	131,700
Note payable - other	499,500	496,900
Total current liabilities	670,400	653,500
SHAREHOLDERS' DEFICIT		
Preferred stock--par value $10.00 per share; authorized 500,000 shares; issued 500,000 shares . . .	5,000,000	5,000,000
Common stock--no par value; authorized 20,000,000 shares; issued and outstanding 17,971,775 shares . . .	678,400	678,400
Additional paid-in capital	20,376,300	20,376,300
Accumulated deficit	(26,324,400)	(26,394,000)
Total shareholders' deficit	(269,700)	(339,300)
TOTAL	$ 400,700	$ 314,200

The accompanying notes are an integral part of these interim financial statements.

CARDIAC RESUSCITATOR CORPORATION

STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Cash Flows from Operating Activities:		
Net cash provided (used) by operating activities	$ 46,200	$ (5,100)
Cash Flows from Investing Activities:		
Proceeds from sale of marketable securities	65,400	
Proceeds from collection of royalty receivable		108,600
Net cash provided by investing activities	65,400	108,600
Cash Flows from Financing Activities:		
Net repayments under line of credit		(110,000)
Other		10,000
Net cash utilized by financing activities		(100,000)
Net increase in cash and cash equivalents	111,600	3,500
Cash and cash equivalents at beginning of year	225,500	23,400
Cash and cash equivalents at end of period	$ 337,100	$ 26,900
Supplemental disclosure of cash flow information:		
Interest paid	$ ---	$ 2,600

The accompanying notes are an integral part of these interim financial statements.

CARDIAC RESUSCITATOR CORPORATION

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1

The unaudited interim financial statements reflect all adjustments (consisting only of normal recurring adjustments) that management believes necessary for a fair presentation of the results of operations for the periods being reported. The unaudited interim financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission and consequently do not include all of the disclosures normally made in the Cardiac Resuscitator Corporation ("the Company") annual Form 10-K filing.

NOTE 2

The Company's interim financial statements have been presented on the basis of a going concern which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. As described below, the Company's liquidity has been adversely affected by the bankruptcy of Truvel Corporation ("Truvel").

From July 1989 to June 1990, the Company had been engaged in the performance of consulting services with respect to the strategic marketing and sale and attendant financial considerations of medical electronic instrumentation and devices for Truvel, a concern engaged in the development, manufacture and sale of electronic digitizing image scanners. Such services were performed pursuant to a two year agreement entered into in June 1989 between the Company and Truvel providing for the Company's performance of the aforementioned consulting services on Truvel's behalf for an aggregate consideration of $240,000. Contemporaneously with its entrance into such an agreement, the Company acquired a $750,000 equity interest in Truvel. As part of the investment, the Company received a distribution of 139,993 shares of Vision Ten Inc. ("Vision Ten") common stock. On June 5, 1990, Truvel instituted a voluntary proceeding under Chapter 11 of the Bankruptcy Code for the Central District of California. On September 4, 1990, a plan of reorganization was approved providing for the sale of Truvel's assets and the cancellation of all common shares. Based on the bankruptcy court decision, the Company has not received revenues from Truvel and has written off its investment in Truvel aggregating $708,000. Therefore, no consulting revenues have been recognized since June 1990. In October 1991, the Company sold 12,000 shares of Vision Ten common stock for net proceeds of $4,800, resulting in a net gain of $1,200. The Company subsequently sold all remaining Vision Ten common stock in January 1992 for net proceeds of $65,400, resulting in a net gain of $27,000.

As a consequence of Truvel's insolvency proceeding, commencing June 1990, the Company began to pursue acquisitions or other business opportunities. There are currently no specific plans or understandings to cause the Company to make any specific acquisition or enter into any

CARDIAC RESUSCITATOR CORPORATION

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

NOTE 2 (CONTINUED)

specific business opportunity. The Company's current operating activities consists of licensing patents relating to the medical electronics business which it sold in June 1988 (the "Asset Sale"). The Company's medical electronics business consisted of the development, manufacture, and sale of portable devices that electronically identified in human beings ventricular fibrillation and/or severe slowing of the heart and provided such patients with appropriate electrical treatment by means of defibrillation shock or pacing stimulation.

As part of the terms of the Asset Sale, the Company was entitled to receive minimum royalties of $150,000 in each of the three years ending June 30, 1991. In the contract year ended June 30, 1991, the Company recognized additional royalties in excess of the minimum royalty level. The minimum royalty was not exceeded in the contract years ended June 30, 1990 and 1989.

The royalties earned under the Asset Sale extend to the expiration date of the patents. However, no assurance can be given that the Company will earn sufficient revenue from the licensing of such patents to enable the Company to meet its obligations to its creditors through the end of 1992. The Company has received funding from Emerson Radio Corp. ("Emerson") in prior years; however, there can be no assurance that the Company will continue to receive funding from Emerson for the Company's operations. Emerson owns approximately 79% of the Company's outstanding common stock and approximately 92% of the Company's voting power. Although Emerson has guaranteed the Company's $500,000 convertible subordinated note (the "Note") outstanding at March 31, 1992, the Company elected not to make scheduled interest and principal payments aggregating $528,600 that were due on May 1, 1992. To date, the noteholder has not elected to enforce its right to declare the Note immediately due and payable. In the event the noteholder declares the Note immediately due and payable, the Company will not be able to meet its obligation unless it receives additional advances from Emerson. The Company has approached the holder of the Note to restructure the payment terms of the Note. All advances from Emerson since March 31, 1988 have been non-interest bearing.

If the Company does not generate revenues from the licensing of patents or receive advances from Emerson sufficient to maintain the Company's operations and meet its obligations, management may find it necessary to dispose of assets or undertake other actions as may be appropriate.

The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties.

NOTE 3 (CONTINUED)

As of March 31, 1992, the Company was in default of its 11 1/2% convertible subordinated note, due to its inability to maintain a minimum current ratio of 1.25 and for failure to make required sinking fund payments due annually on May 1 from 1987 to 1991 and aggregating $500,000 through May 1, 1991. In addition, the Company elected not to make scheduled interest and principal payments aggregating $528,600 that were due on May 1, 1992. To date, the noteholder has not elected to enforce its right to declare the Note immediately due and payable. Accordingly, the principal balance of the Note in the amount of $500,000 has been classified as a current liability at March 31, 1992. The Note is convertible into a maximum of 166,667 shares of the Company's common stock. The Note also contains various restrictive covenants related to the payment of dividends and repurchase of its common stock. The Note is guaranteed by Emerson.

A 15% promissory note issued by Emerson, which was converted to common stock on February 6, 1986, was issued with warrants of the Company to acquire up to 450,000 shares of the Company's common stock. The warrants were exercisable at $6 per share and expired on May 1, 1992.

NOTE 4

(A) Statements of Cash Flows:

For purposes of the statements of cash flows, short-term investments with maturities of three months or less at the time of purchase are considered to be cash equivalents.

(B) Income Taxes:

Emerson, as a result of owning at least 80% of the Company's common stock, included the Company's results of operations in its consolidated tax returns and has utilized all of the Company's operating losses from August 30, 1979 to November 30, 1982. The Company has not received, nor expects to receive, a benefit from Emerson for its use of these losses. As a result, these losses are not available to the Company to offset any taxable income which may be earned in future years. On December 1, 1982, Emerson's ownership of the Company decreased to approximately 74%. As a result, for Federal income tax purposes, the Company's results of operations for the period December 1, 1982 to September 6, 1984 have not been included in Emerson's consolidated tax return and the accumulated operating losses of $5,193,700 for the period are available to the Company to offset any taxable income earned through 1999. Since September 6, 1984, Emerson has controlled in excess of 80% of the shares of the

NOTE 4 (CONTINUED)

Company in terms of both voting power and value. As a result, Emerson has included the Company's results of operations in its consolidated tax returns for periods subsequent to that date and has utilized substantially all of the Company's net operating losses from September 6, 1984 to March 31, 1992. The Company has not received, nor expects to receive, a benefit from Emerson for use of these losses. The Company has not paid any income taxes for the three months ended March 31, 1992 and 1991.

(C) Earnings (Loss) Per Share:

Earnings (loss) per common share is based on the weighted average number of shares outstanding during each of the periods.

NOTE 5

In June 1984, the Company's Board of Directors adopted a stock grant plan pursuant to which 100,000 shares of common stock were reserved for issuance under the Plan. At March 31, 1992 the Company had issued 69,667 shares of common stock pursuant to the Plan.

NOTE 6

In September 1984, the Company's Articles of Incorporation were amended to include the authority to issue 500,000 shares of preferred stock with a par value of $10.00 per share. Each preference share shall have 60 votes per share for each corporate matter on which shareholders may vote. The Company may, on not less than 10 days' prior written notice to the holders of preference shares, redeem all or any portion of the preference shares at a redemption price of $10.00 per share plus declared and unpaid dividends, if any. The preference shares do not have preemptive rights. The holders of preference shares are entitled to noncumulative dividends at the rate of $.80 per share, payable semiannually when, as and if declared by the Board of Directors before any dividends are paid on common shares. In the event of any liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, the holder of the preference shares is entitled, after provision for payment of the Company's debts and other liabilities, to a liquidation preference of $10.00 per share. Initially, each preference share is convertible into 1-1/3 common shares of the Company, at any time (an effective conversion price of $7.50 per share), subject to adjustment to protect against dilution. Emerson purchased 150,000 shares of the preferred stock on September 6, 1984 and converted certain notes payable into 350,000 shares on February 6, 1986.

CARDIAC RESUSCITATOR CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

ITEM 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

Net revenues for the three months ended March 31, 1992 were $72,800, resulting from royalties earned from the licensing of patents. The Company did not incur any costs to generate these royalties. There were no revenues or cost of revenues in the three months ended March 31, 1992.

Selling, general and administrative expenses increased $3,600 in the quarter ended March 31, 1992 from the same period last year, attributable to consulting fees incurred in the current quarter. Interest expense for the three months ended March 31, 1992 remained stable as compared to the same period last year.

As a result of the foregoing factors, net earnings were $69,600 for the three months ended March 31, 1992 in comparison to a net loss of $27,500 for the same period last year.

Liquidity and Capital Resources

Net cash provided by operating activities for the three months ended March 31, 1992 was $46,200, attributable to the collection of royalties.

Net cash provided by investing activities was $65,400 for the quarter ended March 31, 1992, consisting of proceeds from the sale of Vision Ten common stock. There were no financing activities in the three months ended March 31, 1992

As of March 31, 1992, the Company was in default of its 11 1/2% convertible subordinated note (the "Note"), due to its inability to maintain a minimum current ratio of 1.25 and for failure to make required sinking fund payments due annually on May 1 from 1987 to 1991 and aggregating $500,000 through May 1, 1991. In addition, the Company elected not to make scheduled interest and principal payments aggregating $528,600 that were due on May 1, 1992. To date, the noteholder has not elected to enforce its to declare the Note immediately due and payable. In the event the noteholder declares the Note immediately due and payable, the Company will not be able to meet its obligations unless it receives additional advances from Emerson Radio Corp. ("Emerson"). Accordingly, the principal balance of the Note in the amount of $500,000 has been classified as a current liability at March 31, 1992. The Company has approached the holder of the Note to restructure the payment

Liquidity and Capital Resources (Continued)

terms of the Note. The Note is convertible into a maximum of 166,667 shares of the Company's common stock. The Note also contains various restrictive covenants related to the payment of dividends and repurchase of its common stock. The Note is guaranteed by Emerson, which currently owns approximately 79% of the Company's outstanding common stock and approximately 92% of the Company's voting power.

From July 1989 to June 1990, the Company had been engaged in the performance of consulting services with respect to the strategic marketing and sale and attendant financial considerations of medical electronic instrumentation and devices for Truvel, a concern engaged in the development, manufacture and sale of electronic digitizing image scanners. Such services were performed pursuant to a two year agreement entered into in June 1989 between the Company and Truvel providing for the Company's performance of the aforementioned consulting services on Truvel's behalf for an aggregate consideration of $240,000. Contemporaneously with its entrance into such an agreement, the Company acquired a $750,000 equity interest in Truvel. As part of the investment, the Company received a distribution of 139,993 shares of Vision Ten Inc. ("Vision Ten") common stock. On June 5, 1990, Truvel instituted a voluntary proceeding under Chapter 11 of the Bankruptcy Code for the Central District of California. On September 4, 1990, a plan of reorganization was approved providing for the sale of Truvel's assets and the cancellation of all common shares. Based on the bankruptcy court decision, the Company has not received revenues from Truvel and has written off its investment in Truvel aggregating $708,000. Therefore, no consulting revenues have been recognized since June 1990. In October 1991, the Company sold 12,000 shares of Vision Ten common stock for net proceeds of $4,800, resulting in a net gain of $1,200. The Company subsequently sold all remaining Vision Ten common stock in January 1992 for net proceeds of $65,400, resulting in a net gain of $27,000.

As a consequence of Truvel's insolvency proceeding, commencing June 1990, the Company began to pursue acquisitions or other business opportunities. There are currently no specific plans or understandings to cause the Company to make any specific acquisition or enter into any specific business opportunity. The Company's current operating activities consists of licensing patents relating to the medical electronics business which it sold in June 1988 (the "Asset Sale"). The Company's medical electronics business consisted of the development, manufacture, and sale of portable devices that electronically identified in human beings ventricular fibrillation and/or severe slowing of the heart and provided such patients with appropriate electrical treatment by means of defibrillation shock or pacing stimulation.

CARDIAC RESUSCITATOR CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION - CONCLUDED

Liquidity and Capital Resources (Continued)

As part of the terms of the Asset Sale, the Company was entitled to receive minimum royalties of $150,000 in each of the three years ending June 30, 1991. In the contract year ended June 30, 1991, the Company recognized additional royalties in excess of the minimum royalty level. The minimum royalty was not exceeded in the contract years ended June 30, 1990 and 1989.

The royalties earned under the Asset Sale extend to the expiration date of the patents. However, no assurance can be given that the Company will earn sufficient revenue from the licensing of such patents to enable the Company to meet its obligations to its creditors through the end of 1992. The Company has received funding from Emerson in prior years; however, there can be no assurance that the Company will continue to receive funding from Emerson for the Company's operations.

If the Company does not generate revenues from the licensing of patents or receive advances from Emerson sufficient to maintain the Company's operations and meet its obligations, management may find it necessary to dispose of assets or undertake other actions as may be appropriate.

As a result of the termination of its consulting activities and the composition of its assets, the Company could be deemed to be an investment company for the purposes of the Investment Company Act of 1940, as amended ("1940 Act"). If such a determination were made, the Company would be required to register as an investment company under the 1940 Act. The Act imposes restrictions as to an investment company's name, capital structure, issuance of its securities, investments, constitution of its board of directors, and power to declare dividends and select accountants and financial officers, as well as to the rights of its shareholders to vote. In addition, the 1940 Act, if applicable, would require the Company to register under the 1940 Act as an Investment Company, adopt a specific form of corporate structure and comply with certain burdensome reporting, record keeping, voting, proxy, disclosure and other rules and regulations. If the Company were to be characterized as an investment company for purposes of the 1940 Act, the failure by the Company to satisfy regulatory requirements, whether on a timely basis or at all, would under certain circumstances, have a material adverse effect on the Company.

CARDIAC RESUSCITATOR CORPORATION

PART II

OTHER INFORMATION

ITEM 3. Defaults Upon Senior Securities.

Reference is made to Note 3 of Notes to Interim Financial Statements included in Part I of this Report.

ITEM 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

Exhibits pursuant to provisions of Item 601 of Regulation S-K are not applicable.

(b) Reports on Form 8-K:

During the three month period ended March 31, 1992, no Form 8-K was required to be filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

CARDIAC RESUSCITATOR CORPORATION
(Registrant)

VP

Date: May 19, 1992

Edward G. Bohn
Vice President/Finance and
Chief Financial Officer *

* Duly authorized to execute on behalf of the Registrant.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 1992

Commission File number 0-16481

CASCADE INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	87-0410988
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6401 Congress Avenue, Boca Raton, Florida 33487
(Address of principal executive offices)*

407-998-8343
(Registrant's telephone number, including area code)*

*New address, zip code and telephone number.

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No____

Number of shares of each class of common stock outstanding:

As of March 31, 1992 - 26,214,649 shares - Common Stock ($.001 par value)

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CASCADE INTERNATIONAL, INC. AND SUBSIDIARIES

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Item 6.	Exhibits and Reports on Form 8-K	1

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

As previously reported, the Registrant is presently operating as a debtor-in-possession under Chapter 11 of the Federal Bankruptcy Code. Financial information filed with the Bankruptcy Court for the months of January, February and March 1992 in the form of consolidated cash flow reports, are annexed hereto as Exhibits 1, 2 and 3 respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Reference is made to the letter to shareholders dated April 1992, included with this report on Form 10-Q as Exhibit 4 of Item 6(a). This letter and the cash flow reports contain substantially all the unaudited financial information which management can report at present.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

1. Consolidated Cash Flow Report of Registrant for January 1992.
2. Consolidated Cash Flow Report of Registrant for February 1992.
3. Consolidated Cash Flow Report of Registrant for March 1992.
4. Letter to Shareholders dated April 1992.

(b) Reports on Form 8-K:

1. Form 8-K dated February 12, 1992.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

By: ______________________
Aaron Karp
Chairman of the Board

Dated: May 19, 1992

Exhibit 1

CASCADE INTERNATIONAL, INC.
CONSOLIDATION OF THE JANUARY MONTHLY CASH FLOW REPORT

	CASCADE INTERNATIONAL (1/1-1/25)	FRAN'S FASHIONS (1/1-1/25)	JEAN COSMETICS OF DELAWARE (1/1-1/25)	J.B. BOUTIQUES OF FLORIDA (1/1-1/25)	C.B.O.L., INC. (1/1-1/25)	CONSOLIDATED TOTAL
CASH AT BEGINNING OF PERIOD	34,681 *	376,717 *	6,292	58,681 *	60,243	536,614
						0
CASH RECEIPTS:						0
A. Cash Sales		219,719		28,713	117,686	366,116
LESS: Cash Refunds						0
Net Sales						0
B. Other Receipts	13,751	11,405		57	4,369	29,582
TOTAL CASH RECEIVED FOR OPERATIONS	48,432	607,840	6,292	87,451	182,296	932,311
DISBURSEMENTS						
A. U.S. Trustee Quarterly Fees						0
B. Net Payroll	15,868	111,101		15,116	25,900	167,983
C. Payroll Taxes Paid	6,867	44,797		5,796	7,546	65,006
D. Sales and Use Taxes		40,865		6,336	8,410	55,611
E. Other Taxes				17		17
F. Rent		50,118		4,984	23,480	78,582
G. Other Leases	756					756
H. Telephone	1,335					1,335
I. Utilities	130	13,495				13,625
J. Travel & Entertainment		564				564
K. Vehicle Expenses		471			350	821
L. Office Supplies	82	623			157	862
M. Advertising						0
N. Insurance	6,281	12,198				18,479
O. Purchases of Fixed Assets						0
P. Purchases of Inventory				4,211		4,211
Q. Manufacturing Supplies						0
R. Repairs & Maintenance		139		213		352
S. Payments to secured creditors						0
T. Other Operating Expenses	4,720	69,218	1,754	2,762	317	78,771
TOTAL CASH DISBURSEMENTS	36,039	343,589	1,754	39,433	66,160	486,975
ENDING CASH BALANCE	12,393	264,251	4,538	48,016	116,136	445,336

NOTE: 14PLUS OF FLORIDA, NAGIMA(USA), 4TH CENTURY PROPERTIES, DESIGNER BOUTIQUES, JEAN COSMETICS DISTRIBUTION CENTERS AND JB BOUTIQUES OF CALIFORNIA HAD NO RECEIPTS OR DISBURSEMENTS FOR THE PERIOD 1/1/92 THROUGH 1/25/92.

NOTE 2: 6830 CORP HAD MISCELLANEOUS EXPENSES OF $431.58 WHICH WERE PAID FOR BY CASCADE INTERNATIONAL,INC.

Exhibit 2

CASCADE INTERNATIONAL, INC.
CONSOLIDATION OF THE FEBRUARY MONTHLY CASH FLOW REPORT

	CASCADE INTERNATIONAL (1/26-2/29)	FRAN'S FASHIONS (1/26-2/29)	JEAN COSMETICS OF DELAWARE (1/26-2/29)	J.B. BOUTIQUES OF FLORIDA (1/26-2/29)	C.B.D.L., INC. (1/26-2/29)	CONSOLIDATED TOTAL
CASH AT BEGINNING OF PERIOD	13,468 *	264,261	4,844 *	29,779 *	116,256 *	428,608
						0
CASH RECEIPTS:						0
A. Cash Sales		306,437		43,172	202,364	551,973
LESS: Cash Refunds						0
Net Sales						0
B. Other Receipts	61,169	45,153	812	623	20,355	128,112
TOTAL CASH RECEIVED FOR OPERATIONS	74,637	615,851	5,656	73,574	338,975	1,108,693
DISBURSEMENTS						
A. U.S. Trustee Quarterly Fees	500	500	250	250	250	1,750
B. Net Payroll	21,722	111,974		14,908	30,787	179,391
C. Payroll Taxes Paid	14,596	44,654	570	5,332	12,837	77,989
D. Sales and Use Taxes		11,365		3,328	6,335	21,028
E. Other Taxes		52,516				52,516
F. Rent	2,442			18,675	22,494	43,611
G. Other Leases	1,668					1,668
H. Telephone	4,982				491	5,473
I. Utilities	1,759	18,256		1,056	2,960	24,031
J. Travel & Entertainment						0
K. Vehicle Expenses						0
L. Office Supplies	355	219			20	596
M. Advertising					5,533	5,533
N. Insurance	6,514	7,553			5,201	19,268
O. Purchases of Fixed Assets		1,850				1,850
P. Purchases of Inventory		158,242		7,176	102,967	268,385
Q. Manufacturing Supplies						0
R. Repairs & Maintenance	1,109	206		592		1,907
S. Payments to secured creditors						0
T. Other Operating Expenses	12,933	69,673	74	3,399	66,847	152,926
TOTAL CASH DISBURSEMENTS	68,580	477,006	894	54,716	256,722	857,918
ENDING CASH BALANCE	6,057	138,845	4,762	18,858	82,253	250,775

NOTE: * 14PLUS OF FLORIDA, MAGINA(USA), 4TH CENTRUY PROPERTIES, DESIGNER BOUTIQUES, JEAN COSMETICS DISTRIBUTION CENTERS AND JB BOUTIQUES OF CALIFORNIA HAD NO RECEIPTS OR DISBURSEMENTS FOR THE PERIOD 1/26/92 THROUGH 2/29/92.

NOTE 2: 6830 CORP HAD MISCELLANEOUS EXPENSES WHICH WERE PAID FOR BY CASCADE INTERNATIONAL,INC.

Exhibit 3

CASCADE INTERNATIONAL, INC.
CONSOLIDATION OF THE MARCH MONTHLY CASH FLOW REPORT

	CASCADE INTERNATIONAL (3/01-3/28)	FRAN'S FASHIONS (3/01-3/28)	JEAN COSMETICS OF DELAWARE (3/01-3/28)	J.B. BOUTIQUES OF FLORIDA (3/01-3/28)	C.B.D.L., INC. (3/01-3/28)	CONSOLIDATED TOTAL
CASH AT BEGINNING OF PERIOD	5,632 *	162,567 *	4,763	18,792	82,253	274,007
						0
CASH RECEIPTS:						0
A. Cash Sales		233,105		41,371	190,769	465,245
LESS: Cash Refunds						0
Net Sales						0
B. Other Receipts	58,363	29,270	78	6,166		93,877
TOTAL CASH RECEIVED FOR OPERATIONS	63,995	424,942	4,841	66,329	273,022	833,129
DISBURSEMENTS						0
A. U.S. Trustee Quarterly Fees	17,654	84,614		11,519	23,453	137,240
B. Net Payroll	9,647	31,090		3,876	9,002	53,615
C. Payroll Taxes Paid		19,280		4,804	10,704	34,788
D. Sales and Use Taxes		145		16		161
E. Other Taxes	6,264	53,657		6,678	25,018	91,617
F. Rent	1,475	1,526				3,001
G. Other Leases	394	5,192		1,882	1,033	8,501
H. Telephone	1,143	9,811		861	3,632	15,447
I. Utilities						0
J. Travel & Entertainment				102	350	452
K. Vehicle Expenses		527				527
L. Office Supplies				4,633	15,195	19,828
M. Advertising	6,446	2,624		896		9,966
N. Insurance		1,059				1,059
O. Purchases of Fixed Assets		31,621			51,873	83,494
P. Purchases of Inventory						0
Q. Manufacturing Supplies	2,311	295		354		2,960
R. Repairs & Maintenance						0
S. Payments to secured creditors	12,286	73,807		9,300	58,476	153,869
T. Other Operating Expenses						
TOTAL CASH DISBURSEMENTS	57,620	315,248	0	44,921	198,736	616,525
ENDING CASH BALANCE	6,375	109,694	4,841	21,408	74,286	216,604

NOTE: 14PLUS OF FLORIDA, HAGINA(USA), 4TH CENTRUY PROPERTIES, DESIGNER BOUTIQUES, JEAN COSMETICS DISTRIBUTION CENTERS AND JB BOUTIQUES OF CALIFORNIA HAD NO RECEIPTS OR DISBURSEMENTS FOR THE PERIOD 3/1/52 THROUGH 3/28/92.

NOTE 2: 6830 CORP HAD MISCELLANEOUS EXPENSES WHICH WERE PAID FOR BY CASCADE INTERNATIONAL,INC.

Exhibit 4

CASCADE INC.
INTERNATIONAL

Dear Shareholder:

February and March 1992 were critical months in the continuing evaluation of whether or not our corporation, Cascade International, Inc. ("Cascade"), will survive as a going concern; whether it can reorganize itself in Chapter 11 under the Federal Bankruptcy Code; or whether it will be liquidated by creditors and the Bankruptcy Court. I am pleased to report that the events which took place during these past two months have improved Cascade's chances for survival, *enormously*.

During February, the Bankruptcy Court held a trial involving a transaction which took place in the fall of 1991 between Cascade and Conston Corporation ("Conston"). On February 27, 1992, after the trial, the Bankruptcy Court "rescinded" the transaction and restored to Cascade a secured debt of $7,500,000 on Conston's assets. In exchange, Cascade must return for cancellation, 10,000,000 shares of Conston which had been issued to Cascade in that 1991 transaction. The parties are in the process of implementing this Court order.

On February 26, 1992, Conston filed a petition in bankruptcy in Delaware, under Chapter 11 of the Federal Bankruptcy Code. Conston has asserted numerous set-offs and claims against Cascade, but nothing has been filed with the Bankruptcy Court as of the time I am writing this letter. Of any amounts which are recovered by Cascade from Conston, $5,000,000 would be due to the Bank of Scotland, to which Cascade assigned its security interest. Once the Bank of Scotland is paid $5,000,000, Cascade's debt to the bank would be reduced from $10,000,000 to $5,000,000.

The remaining $2,500,000 of the secured debt owed by Conston to Cascade, if recovered from Conston, should become part of the estate of Cascade. This can provide some of the funds needed to develop and implement a plan of reorganization which must satisfy Cascade's creditors and the Bankruptcy Court. Assuming the full $7,500,000 is recovered from Conston, Cascade would still remain an unsecured creditor of Conston in the amount of approximately $3,000,000. Any part of this amount which is recovered from Conston, would also be available for payment to Cascade's creditors.

During March, the Bankruptcy Court also approved Cascade's settlement with First Union National Bank of Palm Beach ("First Union"). First Union agreed to return $2,500,000 of the amount paid to it by Cascade during October 1991. First Union has been permitted to retain $1,000,000 of the funds paid. This will reduce its claim against Cascade to $4,000,000. The $2,500,000 returned to Cascade can only be used with the approval of the Bankruptcy Court. On March 27, 1992, the Court approved the use of $750,000 for the purchase of inventory and for Cascade's continuing operations. With these additional funds, Cascade expects to get a true picture of its operations through June 30, 1992. Cascade's ability to budget properly the use of such funds and to make its future operations profitable, will be a major factor in determining whether or not its creditors and the Court will allow Cascade to reorganize and emerge from Chapter 11.

The use of funds gathered in Cascade's estate will be subject to constant scrutiny by the Bankruptcy Court and by Cascade's creditors. In each case, Cascade will be required to seek the Court's approval for any unusual expenditures which are not necessary in the ordinary course of its operations. In each case, creditors will have an opportunity to review the proposed use of such funds and to voice their objections. In each case, the Bankruptcy Court will make the decision as to whether or not Cascade can use the funds for the purposes requested.

A portion of the funds must be used to pay administrative expenses, to prosecute adversary proceedings which Cascade has instituted, and to finance any new proceedings which it may commence. As I reported earlier, a suit is now pending in the Bankruptcy Court against Dr. Lawrence D. Moses, for trading in violation of federal securities laws. This involves approximately $5,000,000. A default judgment should be entered shortly in favor of Cascade for $3,500,000 against J.B. Van Zanten. Approval of a settlement of $250,000 with a securities broker is also under consideration by the Court. Any recoveries from these proceedings will become part of Cascade's estate and will be available to develop and implement a plan of reorganization.

I have received dozens of telephone calls and letters from shareholders since I became Chairman, many with specific questions about the conduct of Cascade's ongoing business operations. Unfortunately, I cannot answer them individually. To do so, would impair my ability to operate Cascade on a day-to-day basis. However, keep writing. I will listen to you and I will try to respond to appropriate inquiries from time to time, in my letters to shareholders.

One pertinent question recently asked, was what salaries are now being paid to the officers and directors of Cascade. Surprisingly, no one asked this of me at the first creditors' meeting, held in Boca Raton on March 19, 1992. For your information, the current annual salaries and positions of the respective officers of Cascade are:

Name	Position	Annual Salary
Aaron Karp	Chairman of the Board	$ 78,000
John T. Sirmans	President	$ 96,000
Emily Wertz	Controller	$ 45,000
Howard M. Sommers	Corporate Secretary	$ 35,000
Bernard Lake	Vice President - General Merchandise Manager	$[redacted] 38,000
Total annual salaries.........................		$[redacted] 342000

Executive officers receive no additional cash payments other than the reimbursement of expenses incurred on behalf of Cascade. The five directors of Cascade receive an attendance fee of $250 per meeting. They usually meet once each month.

Another question on the minds of shareholders is the future market for Cascade's common stock. Perhaps I can explain the problems we face, and the only solution I see, for the future trading of Cascade's stock in the over-the-counter market. For trading to begin, there must be publicly available for creditors, brokers and others, sufficient financial information about Cascade which would enable an investor to make an informed investment decision about whether to purchase or sell the shares. Until now, such financial information has not been available. There is no need for me to revisit the many problems I have faced with Cascade's previous financial statements and related information. I can only tell you what steps have been taken by present management to correct past abuses and to prepare for the future.

As I stated in my February 1992 letter, a physical inventory was taken on February 3, 1992 by RGIS inventory specialists, at all of Cascade's retail outlets. This was observed at a representative number of such retail outlets by Cascade's new auditors, Anchin, Block & Anchin, certified public accountants. A financial statement will be prepared by Cascade for the period from January 27 through June 30, 1992, which will be audited by them.

Prior to that, an unaudited statement of profit and loss will be prepared for the short period from January 27 through March 31, 1992. This will be filed by Cascade with the Securities and Exchange Commission. We do not expect this quarterly report to show any profit for that period. Indeed, we expect it will reflect a very substantial loss. Given the conditions we faced from November 19, 1991 through the end of February 1992 and the emergency steps management had to take in order to meet that situation, this loss was a certainty.

The quarterly period from April 1 through June 30, 1992 should, for the first time, give us some indication of the results of Cascade's operations. During this last quarter of its fiscal year, Cascade will use the $750,000 which has been allowed by the Bankruptcy Court for the purchase of inventory and for its ongoing operations. This should be a litmus test of Cascade's ability to continue future operations on a profitable basis. While hampered somewhat by the fact that new merchandise will not arrive until the middle of April, nevertheless, it will show what Cascade can do in two and one-half months, given the amount and type of inventory management believes is needed for its return to profitability.

When sufficient financial information is publicly available from such operations, hopefully, brokers may once again trade or "make a market" in Cascade's shares. That will take place in the over-the-counter market. The price of the shares can then be published in what brokers call the "pink sheets." Then, brokers can trade the stock and you, as a shareholder, should have an opportunity to buy or sell Cascade's shares, based on your own personal analysis of its future prospects and potential.

Again, I want to thank you for your patience. Hang in there. Management, our administrative staff and all the personnel at Cascade, firmly believe we will make it. All we need is a little more time, the continued use of some of our money, the confidence and patience of our creditors, and a few more friends.

Sincerely,

Aaron Karp

Aaron Karp
Chairman of the Board

Dated: April 1992

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 10-Q

Quarterly Report Under Section 13 or 15(d) of the

Securities Exchange Act of 1934

For the Quarter Ended December 31, 1991

Commission file number 0-6355

COMNET Corporation

Incorporated in Delaware

IRS EI No. 52-0852578

6404 Ivy Lane, Suite 500, Greenbelt, MD 20770

Telephone Number: (301) 220-5400

Indicate by check mark whether the registrant (1) has filed reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ______

Class	Shares Outstanding Effective December 31, 1991
Common Stock, $.50 par value	3,035,418
Series C Preferred Stock	2,875

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CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31, 1991 (Unaudited)	March 31, 1991 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 453	$ 1,325
Trade and installment accounts receivable, less allowance of $2,739and $1,569	15,341	11,918
Notes receivable, net	626	223
Other current assets	2,358	1,733
Total current assets	18,778	15,199
Installment accounts receivable, long term	1,743	4,254
Notes receivable, long-term, net	843	980
Property and equipment, net	2,380	1,963
Computer software, net of accumulated amortization of $4,264 and $3,108	8,089	6,291
Other assets	71	134
Total assets	$31,904	$28,821
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short term borrowing	$ 1,655	$ ---
Accounts payable	1,115	1,488
Current portion of long-term debt	852	753
Accrued expenses	4,290	5,325
Total current liabilities	7,912	7,566
Long-term debt, net of current portion	1,046	1,450
Deferred income taxes	1,778	990
Minority interest	3,714	3,186
Total liabilities	14,450	13,192
Commitments		
Stockholders' equity:		
Preferred stock, Series C, $1.60 cumulative, $0.25 par value, 200,000 shares authorized, 2,875 and 5,425 shares outstanding	1	1
Capital contributed in excess of par value	45	75
Common stock, $0.50 par value, 10,000,000 shares authorized, 3,035,418 and 2,947,226 shares issued	1,517	1,472
Capital contributed in excess of par value	12,042	11,418
Retained earnings	4,608	3,422
	18,213	16,388
Less treasury stock at cost, 203,060 shares	(759)	(759)
Total stockholders' equity	17,454	15,629
Total liabilities and stockholders' equity	$31,904	$28,821

See notes to consolidated financial statements.

COMNET CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands, except per share data)
Unaudited

	For the Three-Month Period Ended Dec. 31,		For the Nine-Month Period Ended Dec. 31,	
	1991 (FY92)	1990 (FY91)	1991 (FY92)	1990 (FY91)
Revenue:				
Software licenses and related	$5,361	$4,767	$15,671	$12,140
Service and other revenue	2,624	2,746	7,287	7,234
Total revenue	7,985	7,513	22,958	19,374
Costs and expenses:				
Research, development and support	2,841	2,309	8,162	6,186
Sales and marketing	2,577	2,810	7,890	6,976
General and administrative	1,050	1,125	2,945	3,136
Provision for doubtful accounts	606	402	1,424	1,049
Total costs and expenses	7,074	6,646	20,421	17,347
Operating earnings	911	867	2,537	2,027
Non-operating income (expense), net	(97)	(42)	(194)	192
Earnings before provision for income taxes	814	825	2,343	2,219
Provision for income taxes	234	290	682	710
Minority interest in net earnings of consolidated subsidiary	188	174	475	414
Net earnings	$ 39	$ 361	$ 1,186	$ 1,095
Earnings per Share of Common Stock:				
Primary	$ 0.11	$ 0.13	$ 0.34	$ 0.39
Fully diluted	$ 0.10	$ 0.13	$ 0.32	$ 0.38
Weighted average number of common and common equivalent shares outstanding				
Primary	3,842	2,803	3,539	2,840
Fully diluted	3,883	2,835	3,673	2,890

See notes to consolidated financial statements.

COMNET CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
Unaudited

	For the Nine-Month Period Ended Dec. 31.	
	1991 (FY92)	1990 (FY91)
Cash flows from operating activities:		
Earnings from continuing operations$	$1,186	$1,095
Adjustments to reconcile earnings from continuing operations to net cash provided by operating activities:		
Amortization expense	1,215	686
Depreciation expense	559	277
Provision for doubtful accounts receivable	1,424	1,046
Gain on sale and issuance of subsidiary stock	(17)	(13)
Gain on sale of an asset	. . .	(4)
Deferred income taxes	730	913
Minority interest in earnings of consolidated subsidiary	475	414
Changes in assets and liabilities:		
(Increase) in accounts receivable	(2,602)	(2,447)
(Increase) in other current assets	(567)	(319)
(Increase) decrease in other assets	63	(211)
(Decrease) increase in accounts payable	(374)	282
(Decrease) increase in accrued expenses	(1,036)	738
Net cash provided by operating activities	1,055	2,457
Cash flows from investing activities:		
Purchase and development of computer software	(2,871)	(2,521)
Purchase of equipment and improvements	(665)	(443)
Proceeds from sale of asset	. . .	6
Net cash used in investing activities	(3,536)	(2,958)
Cash flows from financing activities:		
Proceeds from exercise of stock options	639	211
Proceeds from exercise of subsidiary stock options	72	. . .
Proceeds from short term borrowings	1,655	1,000
Principal payments of long-term debt	(755)	(194)
Dividends paid	(3)	(4)
Net cash provided by financing activities	1,608	1,013
Net (decrease) increase in cash and cash equivalents	(873)	512
Cash and cash equivalents at beginning of period	1,325	521
Cash and cash equivalents at end of period	$ 453	$1,033
Supplemental disclosures of cash flow information:		
Cash paid during the period for :		
Interest	$ 227	$ 184
Income taxes	432	288
Non-cash investing and financing activities:		
Conversion of preferred stock to common stock	$ 30	$ . . .
Conversion of long-term debt to stock	. . .	1,250
Capital lease obligations incurred	450	. . .

See notes to consolidated financial statements.

COMNET Corporation
Notes to Consolidated Financial Statements

1. The financial statements for the nine months ended December 31, 1991 and 1990 are unaudited. In the opinion of management, all adjustments (consisting of recurring accruals) considered necessary for a fair presentation have been included. Limited footnote information is presented, in accordance with quarterly reporting requirements. The information contained in the audited financial statements and the notes thereto for the year ended March 31, 1991 should be referred to in connection with the unaudited interim financial information. The results of operations for the three and nine months ended December 31, 1991 are not necessarily indicative of the results for the year ended March 31, 1992. Unless otherwise indicated in the discussions in these statements, the term "Company" will refer to the operations of COMNET and its subsidiaries.

2. Research and development expense, before the capitalization of computer software development costs, amounted to approximately $3,987,000 and $3,093,000 for the nine months ended December 31, 1991 and 1990, respectively.

3. Earnings per share of common stock in the accompanying financial statements have been computed on the net earnings to stockholders, after deducting dividends of Series C Preferred stock, determined on the accrual basis. Earnings per share of common stock have been computed using the weighted average number of common and dilutive common equivalent shares outstanding during the respective periods. Common equivalent shares result from the dilutive effect of stock options, calculated under the treasury stock method.

4. On December 12, 1991, the Accounting Standards Division of the American Institute of Certified Public Accountants issued Statement of Position 91-1 (SOP) on Software Revenue Recognition. The SOP requires the recognition of maintenance and enhancement revenue pro-rata over the life of each contract. Compared with the accounting principles utilized by the Company since its inception, implementation of the SOP will significantly reduce the Company's reported earnings from new maintenance and enhancement contract in the accounting period when such contracts are initiated for new licenses. The earnings reduction in the initial period should be recovered in future periods through the end of the contract. Practically, there should be no earnings impact from such an accounting change associated with the renewal of a previously-existing maintenance and enhancement contract. Implementation of the SOP will not affect the Company's cash flows and is not anticipated to negatively impact the Company's earnings trend.

The Company is required to implement the SOP in the fiscal year beginning April 1, 1992. As the guidelines for implementation of the SOP were released only recently and require significant analysis and restatement of past operations, the Company has not yet determined the effect on revenue and earnings of implementing the SOP.

Part I. Financial Information

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operation

The Company's revenue for the quarter ended December 31, 1991, grew to $8.0 million, an increase of 6% over the $7.5 million for the comparable period the prior year. Revenue from the Company's Group 1 Software subsidiary was $7.4 million for the current quarter, an increase of 4% from $7.2 million the previous year. Group 1 Software continued to record increases in software license fees and related activities, increasing 13% over the same period the prior year. The revenue growth reflects the results of an increased direct sales force and the expanded product offerings on midrange and multi-vendor computer platforms.

Revenue from the Company's other business areas for the quarter ended December 31, 1991 was $.6 million as compared with $.3 million in the same quarter the prior year. COM-MED Systems' sales rose significantly over the same period in the prior year. The current year's increase was attributable to COM-MED's continued penetration into the long-term health care market with both software and professional services. AIM boosted its revenues over the same quarter last year by focusing more directly on its core direct marketing business.

For the nine months ended December 31, 1991, the Company's revenue was $23 million, an increase of 19% over the $19.4 million reported for the comparable period the prior year. Nine month revenue from Group 1 Software was $20.8 million, an increase of 18% over the previous year. Revenues from the other business areas of the Company was $2.2 million as compared with $1.8 million in the nine month period of the prior year.

During the quarter ended December 31, 1991, total operating expenses of $7.1 million amounted to 89% of revenue, as compared with $6.6 million or 88% of revenue during the comparable period of the prior year. For the nine month period ended December 31, 1991 the Company's total operating expenses were $20.4 million or 89% of revenue compared with $17.3 million or 90% of revenue in the prior year.

The current quarter's research, development and support expenses were $2.8 million or 36% of revenue, as compared with $2.3 million or 30% for the prior year. For the nine months ended December 31, 1991 these expenses totalled $8.2 million or 36% of revenue as compared with 32% the prior year. Group 1 Software's research, development and support expenses were $2.2 million in the third quarter of FY92 or 30% of its revenue versus 25% the prior year. This year's higher level of expense was principally due to increased amortization of software development costs related to new software releases, increased direct fulfillment costs associated with the increase in sales orders, as well as increased customer service and product maintenance expenses. AIM's cost of sales was approximately the same as the prior year's third quarter. The research, development and support expenses for COM-MED increased commensurate with the increase in business activity.

Group 1's capitalized software development costs for the quarter and the nine months ended December 30, 1991 were $1 million and $2.3 million, respectively, as compared with $.6 million and $1.7 million capitalized in the comparable periods of 1990. This increase was due to the on-going development effort associated with the Code-1 Plus software system for mainframe computer platforms announced in the second quarter.

For COM-MED Systems, capitalized software development costs for the quarter and the nine months were $.1 million and $.3 million for both this year and the prior year. The current year expenditures related to the on-going enhancement of the Medical Records package and other new software packages.

The Company's sales and marketing expense for the current quarter was $2.6 million or 32% of revenue versus $2.8 million or 37% of revenue in the prior year's period. Year to date expense of $7.9 million was 34% of revenue versus 36% for the same period of the prior year. Group 1's sales and marketing expense was $2.4 million or 32% of its revenue for the three month period and $7.1 million or 34% of revenue for the nine month period, as compared with $2.6 million and $6.3 million or 36% of revenue for the three and nine month periods the prior year, respectively. Group 1 Software continues to increase staffing and related selling expenses focused on the market opportunities afforded by postal efficiency products. Expenses in the current quarter and nine months are lower as the result of a change in the current year in the sales incentive compensation plan.

COM-MED Systems' sales staffing and related selling expenses were increased to capitalize on the market opportunity associated with the availability of the Medical Records software package. AIM's selling expenses were approximately the same as the prior year.

General and administrative expense was $1.1 million for the third quarter, approximately the same as a year ago. For the nine month period, general and administrative expenses was $2.9 million, a decrease of $192 thousand versus the prior year, reflecting the Company's efforts to control overhead costs.

Provision for doubtful accounts was $606 thousand and $1.4 million for the three and nine month periods ended December 31, 1991 as compared with $402 thousand and $1.0 million for the comparable periods of the prior year. The current year quarter reflects an increase in Group 1's provision for doubtful accounts indicative of general economic conditions and their effect on certain clients.

Net non-operating income or expense was an expense of $97 thousand and $194 thousand for the three month and nine months, respectively, in the current year, as compared with an expense of $42 thousand and income of $192 thousand, for the respective periods the prior year. While in the prior year the Company was receiving interest income on notes receivable, there were no similar amounts in the current year due to forbearance agreements with the debtors. Interest expense also increased in the current year as the result of increases in short term borrowings and equipment financing notes.

For the quarter ended December 31, 1991, the Company's earnings before provision for income taxes were $814 thousand, as compared with $ 825 thousand the prior year. Year to date earnings of $2.3 million were 6% above the prior year.

Net earnings for the three months ended December 31, 1991 totalled $392 thousand, as compared with $361 thousand for the same period the prior year. For the nine months ended December 31, 1991 net earnings were $1.2 million, an increase of 8% over the $1.1 million for the comparable period in the prior year. Both the current quarter and nine month's net earnings benefited from increased Research and Development tax credits.

Liquidity and Capital Resources

The Company had working capital of $10.9 million at December 31, 1991, as compared with $7.6 million at March 31, 1991. The Company's current ratio was 2.4 to 1 at December 31, 1991, compared with 2.0 to 1 at March 31, 1991.

The Company generally provides for its cash requirements through cash funds generated from operations. During the quarter and nine month period ended December 31, 1991, the Company experienced a lengthening of the collection cycle due to general economic conditions and their effect on certain clients as well as specification issues with certain new products, issues that were resolved in the third quarter, or will be resolved in the fourth quarter of fiscal year 1992.

Additionally, the Company's Group 1 Software subsidiary maintains an uncollateralized $5,000,000 line of credit arrangement with Signet Bank/Maryland, a major Mid-Atlantic regional bank, with interest rate charged at the bank's prime rate. The terms of this line of credit allow Group 1 to lend money from this arrangement to COMNET Corporation. At December 31, 1991 and 1990, short-term borrowings were $1.7 million and $1 million respectively under this facility.

Part II. Other Information

Item 2.

On February 11, 1991, the Company issued a Notice of Redemption to the holders of its $1.60 Cumulative Convertible Preferred Stock Series C (the "Series C Preferred"). On that date there were 2,875 share of the Series C Preferred issued and outstanding. The redemption date for the Series C Preferred is March 16, 1992. After the redemption date, holders of the Series C Preferred shall have no rights with respect to such shares, except the right the receive the redemption price and accrued but unpaid dividends, upon surrender on of before March 16, 1994 of the stock certificates representing such shares.

Item 5. Other Information

5 (a). As previously announced and reported to the Securities and Exchange Commission, the Company and Medco Containment Services, Inc. a 19% holder of Company's common stock, ("Medco") executed a Letter of Intent on August 16, 1991. In furtherance of the Letter of Intent, the Company and Medco executed a definitive agreement dated as of January 28, 1992. On February 7, 1992, the Company filed with the Securities and Exchange Commission, a Notice of Change in Majority of Board of Directors in accordance with Section 14(f) of the Securities Exchange Act of 1934 and Rule 14f-1 thereunder. This Notice was mailed on or about February 10, 1992 to the Company's stockholders. The Notice, among other things, describes the transactions set out in the definitive agreement.

The Purchase Agreement provides, on the terms and conditions specified therein, for, among other things, the Company to: (i) reconstitute its Board to consist of nine directors divided into three classes of three directors each with five directors (including Martin J. Wygod as Chairman of the Board) to be designated by Medco; (ii) authorize 6% Convertible Preferred Stock ano issue to Medco 100,000 shares of the 6% Convertible Preferred Stock, for a total cash purchase price of $2,000,000; (iii) issue and aggregate of 47,500 shares of the 6% Convertible Preferred Stock to Messrs. Bowen, Kaplan, Smith, and Spohler in exchange for an aggregate of $950,000 principal amount of the Company's secured promissory notes held by such persons since September 15, 1989; (iv) acknowledge the grant on August 16, 1991 of options to purchase an aggregate of 465,000 shares of Common Stock to the directors who will serve on the reconstituted Board; (v) enter into agreements with (A) each of Messrs. Bowen, Manning, Levenson and Wygod, respectively, providing for the payment of certain fees on acquisitions and dispositions of businesses of the Company or its subsidiaries and (B) Mr. Friedman providing for the payment of certain fees in the event of any disposition, if any, by the Company of its stockholdings in Group 1 Software, Inc., an over 81% owned subsidiary of the Company ("Group 1"), or on the sale by Group 1 of all or certain assets of its assets; (vi) amend and restate its existing employment agreement with Mr. Bowen to provide, among other things, for an amended bonus formula with respect to disposition, if any, of the Company's stockholdings in Group 1, and eliminate the payment of bonuses with respect to businesses hereafter acquired by the Company; and cause Group 1 to amend and restate its existing employment agreement with Mr. Bowen to provide, among other things, for an amended salary and bonus formula if the Company were to dispose of its interest in Group 1; (vii) adopt an amendment to the Company's Certificate of Incorporation which sets forth the obligations that designees of Medco serving as directors of the Company may have to the Company and Medco (and their respective affiliates) regarding opportunities to acquire new businesses; and (viii) submit for stockholder approval, and use its best efforts to obtain such approval of, amendments to the Company's Certificate of Incorporation to (A) augment the authority of the Board to fix the terms of newly authorized classes or series of preferred stock of the Company, (B) eliminate the restriction on the maximum number of directors of the Company and (C) eliminate a supermajority vote provision relating to transactions with substantial stockholders.

5 (b). As of December 1, 1991, Com-Med Systems entered into an agreement with M.S. Katz & Associates, Inc. ("Katz") whereby Com-Med acquired rights to certain assets of Katz and agrees to employ M.S. Katz to assist Com-Med in the development of a professional services business. The assets acquired and the consideration paid are not significant to the Company.

Item 6 (a).

Exhibit 11 is not necessary since earnings per share can be calculated from the information given.

Item 6 (b).

The Company did not file any reports on Form 8-K during the period ended December 31, 1991.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMNET Corporation

Date: February 14, 1992

Charles A. Crew
Executive Vice President
Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

15 gw

FORM 10-Q

F92-2229

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 1992 Commission file number O-1490

FRANK E. BEST, INC.
(Exact name of registrant as specified in its charter)

Washington (State or other jurisdiction of incorporation or organization)	35-1142810 (I.R.S. Employer Identification No.)
P. O. Box 50444, Indianapolis, Indiana (Address of principal executive office)	46250 (Zip Code)

Registrant's telephone number, including area code: (317) 849-2250

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Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceeding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for for the past 90 days. Yes ☒ No ☐

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date (applicable only to corporate registrants.)

Common Stock	598,710 Shares

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PART I. FINANCIAL INFORMATION

FRANK E. BEST, INC. (a nonoperating holding company) AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31 1992 (Unaudited)	December 31 1991
CURRENT ASSETS:		
Cash and cash equivalents (Note 1)	$ 5,292,457	$ 6,101,214
Short-term investments (Note 1)	506,951	506,951
Trade receivables:		
Direct	6,256,724	5,451,688
Sales representatives and other	3,926,055	3,967,856
Allowance for uncollectible accounts	(196,968)	(197,143)
Estimated refundable income taxes	286,128	362,780
Notes receivable	83,948	94,052
Inventories (Notes 1 and 4)	14,571,910	13,496,255
Prepaid income taxes (Note 5)	1,968,858	1,968,858
Other prepaid expenses	259,198	316,727
Total current assets	32,955,261	32,069,238
PROPERTY, PLANT & EQUIPMENT, at cost (Notes 1 and 3)		
Land & buildings	12,675,169	12,625,865
Machinery & equipment	21,391,654	20,765,672
Tooling	7,073,896	6,784,843
Furniture, fixtures & other	8,981,745	8,752,561
	50,122,464	48,928,941
Less – accumulated depreciation	(21,006,087)	(20,139,883)
Total property	29,116,377	28,789,058
UNAMORTIZED RETIREMENT BENEFIT (Note 10)	581,665	795,022
OTHER ASSETS	258,312	(21,952)
Total assets	$ 62,911,615	$ 61,631,366

The accompanying notes to consolidated financial statements are an integral part of these statements.

FRANK E. BEST, INC. (a nonoperating holding company) AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31 1992 (Unaudited)	December 31 1991
CURRENT LIABILITIES:		
Notes payable (Note 7)	$ 2,500	$ 2,500
Current portion of long-term debt	0	0
Current portion of retirement benefit obligation	2,334,365	2,334,365
Trade accounts payable	1,834,384	2,374,279
Accrued liabilities:		
Income taxes	185,867	215,846
Other taxes	1,071,836	846,584
Payroll and vacation pay	2,815,462	2,437,661
Other	1,486,456	1,515,468
Total current liabilities	9,730,870	9,726,703
LONG-TERM DEBT (Note 7)	0	0
RETIREMENT BENEFIT OBLIGATION (Note 10)	2,196,657	2,228,349
DEFERRED INCOME TAXES (Notes 1 and 5)	4,145,912	4,022,912
Total liabilities	16,073,439	15,977,964
MINORITY INTEREST IN SUBSIDIARIES	20,364,412	20,069,044
SHAREHOLDERS' EQUITY (See accompanying statement)	26,473,764	25,584,358
Total liabilities & shareholders' equity	$ 62,911,615	$ 61,631,366

The accompanying notes to consolidated financial statements are an integral part of these statements.

BEST LOCK COMPANIES
Best Lock Corporation and Subsidiaries
Best Universal Lock Co. (a nonoperating holding company) and Subsidiaries
Frank E. Best, Inc. (a nonoperating holding company) and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended March 31	
	1992	1991
ET SALES	$ 19,658,062	$ 17,921,239
XPENSES:		
Cost of goods sold	11,361,874	10,801,555
Selling	4,153,559	3,478,243
General & administrative	1,590,762	1,449,413
Engineering, research & development	902,034	677,908
Interest	20,038	47,130
Total expenses	18,028,267	16,454,249
NCOME before provision for income taxes	1,629,795	1,466,990
Provision for income taxes (Note 5)	694,456	648,778
NET INCOME, Best Lock Corporation and Subsidiaries	935,339	818,212
Minority interest in net income, Best Lock & Subsidiaries	(254,319)	(222,472)
Corporate (expense)–Best Universal Lock Co.	5,692	5,692
NET INCOME, Best Universal Lock Co. and Subsidiaries	686,712	601,432
Minority interest in net income, Best Universal & Subsidiaries	(153,617)	(134,540)
Corporate (expense)–Frank E. Best, Inc.	5,685	5,313
NET INCOME, Frank E. Best, Inc. and Subsidiaries	$ 538,780	$ 472,205

	Best Lock Corporation	Best Universal Lock Co.		Frank E. Best, Inc.
		Series A	Series B	
Earnings per common share:				
1992	$7.13	$1.78	$1.78	$0.90
1991	$6.23	$1.56	$1.56	$0.79
Weighted average shares outstanding:				
1992 and 1991	131,238.65	86,468	300,000	596,710

The accompanying notes to consolidated financial statements are an integral part of these statements.

FRANK E. BEST, INC. (a nonoperating holding company) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	March 31 1992 (Unaudited)	December 31 1991
COMMON STOCK, $1 par value, 600,000 shares authorized and issued, 598,710 outstanding	$ 598,710	$ 598,710
CAPITAL SURPLUS	77,972	77,972
Total capital stock	676,682	676,682
ACCUMULATED EARNINGS:		
Balance at beginning of year	25,141,179	22,866,019
Net income	538,780	2,500,957
Cash dividends paid	0	(281,394)
Difference between dividends of Series A and Series B common shareholders of Best Universal Lock Co. (Note 2)	0	(38,621)
Balance at end of year	25,679,959	25,046,961
CUMULATIVE TRANSLATION ADJUSTMENT (Note 1)	117,123	140,979
Total shareholders' equity	$ 26,473,764	$ 25,864,622
Cash dividends paid per share:	$0.47	$0.47

The accompanying notes to consolidated financial statements are an integral part of these statements.

FRANK E. BEST, INC. (a nonoperating holding company) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 18,812,494	$ 16,694,664
Cash paid to suppliers and employees	(17,942,903)	(15,148,709)
Interest received	64,150	128,582
Interest paid	9,999	(42,093)
Income taxes paid	(526,504)	(522,029)
Net cash provided by operating activities	417,236	1,110,415
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net from short-term investments	0	3,300
Proceeds from sale of property, plant and equipment	20,447	3,165
Capital expenditures	(1,227,486)	(1,803,829)
Net from long-term investments	0	0
Net cash used in investing activities	(1,207,039)	(1,797,364)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings, notes payable	0	0
Principal payments on long-term debt	0	(39,938)
Dividend payments	0	0
Net cash used in financing activities	0	(39,938)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(18,954)	(62)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(808,757)	(726,949)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,101,214	4,991,194
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 5,292,457	$ 4,264,245
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net income	$ 538,780	$ 472,206
Adjustments–		
Depreciation & amortization	879,851	756,763
Provision for losses on accounts receivable	(1,444)	373
(Gain) loss on sale of property, plant & equipment	(4,894)	(3,170)
Minority interest related to current year earnings	407,936	357,012
Change in assets and liabilities–		
(Increase) decrease in accounts & notes receivable	(761,532)	(1,104,833)
(Increase) decrease in refundable income taxes	76,652	69,378
(Increase) decrease in inventories	(1,089,291)	273,321
(Increase) decrease in prepaid expenses	57,272	60,162
(Increase) decrease in deferred charges	0	265
Increase (decrease) in accounts payable & accrued expenses	37,810	163,248
Increase (decrease) in income taxes payable	(28,569)	(23,898)
Increase (decrease) in deferred taxes	123,000	90,600
Increase (decrease) in retirement benefit and benefit obligation	181,665	(1,031)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 417,236	$ 1,110,415

The accompanying notes to consolidated financial statements are an integral part of these statements.

BEST LOCK COMPANIES
Best Lock Corporation and Subsidiaries
Best Universal Lock Co. (a nonoperating holding company) and Subsidiaries
Frank E. Best, Inc. (a nonoperating holding company) and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of consolidation

The consolidated balance sheet as of March 31, 1992, and the related consolidated statements of income and shareholders' equity and cash flows for the periods ending March 31, 1992, and March 31, 1991, are unaudited. In the opinion of the Company all adjustments (which consist only of normal recurring items) necessary for a fair presentation of such financial statements have been included.

The financial statements and notes are presented as permitted by Form 10-Q, and do not contain certain information included in the Company's annual financial statements and notes.

The consolidated financial statements for each parent company in the Best Lock Companies include their respective subsidiaries' accounts to the extent indicated below:

Parent Company	Subsidiaries	Percent Owned
Frank E. Best, Inc. (Best)	Best Universal Lock Co.	78 %
Best Universal Lock Co. (Universal)	Best Lock Corporation	73 %
Best Lock Corporation (Lock)	Best Universal Locks Limited (Limited)	100 %
	Best Locking Systems of Denver, Inc.	100 %
	Best Locking Systems of Los Angeles, Inc.	100 %
	Best Locking Systems of New York, Inc.	100 %
	Best Locking Systems of Portland, Inc.	100 %
	Best Locking Systems of the Ohio Valley, Inc.	100 %
	Best Locking Systems of Indiana, Inc.	100 %
	Best Locking Systems of Northern California, Inc.	100 %
	Best Locking Systems of Maryland, Inc.	100 %

All significant intercompany accounts, investments and transactions have been eliminated in the consolidations.

Best and Universal account for their investment in subsidiaries on the equity method and have no other significant assets or liabilities.

b. Consolidated Statements of Cash Flows

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

c. Other policies

Depreciation is provided on the straight-line method for book purposes and on an accelerated method for income tax purposes.

Deferred income taxes are provided to reflect the timing differences between book and taxable income.

Inventories are valued using the last-in, first-out (LIFO) method for approximately 91% of consolidated inventories. The remaining inventories are are valued at the lower of cost, first-in, first-out (FIFO) or market.

Research and development costs are expensed as incurred.

Short-term, marketable debt securities are stated at cost, which approximates market value, and consisted of the following:

	March 31 1992	December 31 1991
U.S. Government and agency obligations	$ 506,951	$ 506,951
	$ 506,951	$ 506,951

In February, 1990, the Company purchased $1.6 million of commercial paper issued by a firm which subsequently filed for bankruptcy reorganization under Chapter 11 of the United States Bankruptcy Code. At December 31, 1990, this commercial paper was valued at an approximate market value of $112,000, and $1,483,000 was charged against income at that time. This charge is included in the Consolidated Statements of Income in General and Administrative expenses. In August, 1991, the company favorably settled certain litigation related to the purchase of the commercial paper. The proceeds received as a result of the settlement, net of legal fees associated therewith, are reflected in the December 31, 1991, Consolidated Statements of Income in General and Administrative expenses.

Interest income for the period that is reflected in the Consolidated Statements of Income in the caption Net Sales was $54,559, $405,074 and $705,517 in 1992, 1991 and 1989, respectively.

The accounts of Lock's Canadian subsidiary are translated in accordance with Financial Accounting Standards Board Statement No. 52, whereby the balance sheet accounts are translated at the exchange rate in effect at period end, income accounts are translated at the average rate of exchange during the period, and translation gains and losses are excluded from net earnings by being recorded as a component of shareholders' equity (Cumulative Translation Adjustment). The consolidated financial statements include translation gains (losses) of ($42,206) and ($55,755) in 1992 and 1991, respectively.

BEST LOCK COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued

2. DIVIDENDS.

The Articles of Incorporation of Universal require that for any common stock dividend: a) 50% of the first $138,000 in dividends be distributed to Series A holders and 50% to Series B holders and, b) the remainder be distributed on an equal per share basis to Series A and B holders (all on a noncumulative basis).

As a result of the preferential dividend treatment to the series A holders, the transfer of the proportionate amount of minority interest has been reflected in the Consolidated Statements of Shareholders' Equity of Best.

3. PROPERTY, PLANT AND EQUIPMENT

For book purposes, depreciation is provided using the following straight-line rates:

Buildings	3% to 5%
Machinery and equipment	5%, 8-1/3% & 20%
Tooling	8-1/3%, 12-1/2% & 20%
Furniture, fixtures and other	10% & 20%

Maintenance, repairs and minor renewals are charged to income as incurred. Major renewals, replacements and betterments are capitalized in the property accounts.

Retirements are removed from property accounts at cost and the related depreciation is removed from the accumulated depreciation accounts. Gains or losses on dispositions of property and equipment are reflected in income.

4. INVENTORIES

FIFO cost of inventories would have been higher than LIFO cost as follows:

March 31 1992	December 31 1991
$ 6,042,627	$ 6,046,592

Inventories used in the determination of income were as follows:

	March 31 1992	December 31 1991
Finished goods	$ 3,582,598	$ 3,720,956
Work-in-process	10,586,511	9,416,996
Raw material	402,801	358,303
	$ 14,571,910	$ 13,496,255

BEST LOCK COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued

5. INCOME TAXES

Income tax expense consisted of the following:

	March 31	
	1992	1991
U.S. Federal–		
Current	$ 395,326	$ 351,156
Deferred	90,000	68,700
Foreign	48,794	110,138
State–		
Current	127,336	103,184
Deferred	33,000	15,600
	$ 694,456	$ 648,778

Substantially all foreign income taxes provided were currently payable.

Earnings before income taxes were as follows:

	March 31	
	1992	1991
Domestic	$ 1,538,202	$ 1,204,762
Foreign	91,593	262,228
	$ 1,629,795	$ 1,466,990

The effective rate of income taxes provided varied from the statutory rate for the following reasons:

	March 31	
	1992	1991
Statutory Federal tax rate	34.0 %	34.0 %
The statutory rate of tax provided was increased (decreased) by:		
State income taxes, net of Federal income taxes	7.2	5.7
Investment write–off (recovery)	0.0	0.0
Other	1.4	4.5
Effective rate of tax provided	42.6 %	44.2 %

BEST LOCK COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued

Deferred income taxes are provided on transactions which enter into the determination of income for financial reporting and tax reporting in different periods. The components of the deferred (prepaid) tax provisions were as follows:

	March 31	
	1992	1991
Excess tax over book depreciation	$ 123,000	$ 90,600
Costs inventoried for tax purposes, expensed for book purposes	0	0
Excess of book over tax accrued vacation	0	(11,769)
Non-qualified retirement benefit agreements	0	6,558
Other, net	0	(1,089)
	$ 123,000	$ 84,300

In February 1992, the Financial Accounting Standards Board (FASB) issued Statement No. 109, "Accounting for Income Taxes." Implementation of Statement No. 109 is required beginning January 1, 1993. The Company believes implementation of Statement No. 109 will have an immaterial effect on net income.

6. LICENSE AGREEMENT

Under the terms of a 1928 license agreement between Lock and its parent companies (Universal and Best), Lock agreed to issue a companion share of stock to Universal for each share of voting stock sold or otherwise disposed of during the full period of the corporate existence.

7. LONG-TERM DEBT AND FINANCING ARRANGEMENTS

Long-term debt is summarized below:

	March 31, 1991
Mortgage note, 9-5/8%, due in monthly installments of $20,093, including interest, to June 1999, secured by Lock's real estate	$ 818,677
Less current maturities	(169,678)
	$ 648,999

There are no maturities of long-term debt during the next five years. The mortgage note was paid in September, 1991.

As of March 31, 1992, Lock had a demand note payable to each of its parent companies (Universal and Best) of $300,000. The notes bear interest at the prime rate (6.5% at March 31, 1992) and are unsecured. Interest expense on these notes was $7,500 each in 1992 and $30,000 each in 1991.

The Company has an agreement with a financial institution for letters of credit available primarily for issuance to a foreign vendor. At March 31, 1992, the Company had no outstanding letters of credit.

The Company leases various office and warehouse facilities under noncancellable lease arrangements. Lease terms are from one to five years and most provide options to renew. Future minimum lease payments under noncancellable operating leases as of March 31, 1992, are as follows:

	Amount
1992	$ 143,217
1993	112,564
1994	40,630
1995	12,185
1996	0

Rent expense charged to operations totaled $70,561 and $241,684 in 1992 and 1991, respectively.

8. STOCK BONUS PLAN

The Best Lock Corporation Stock Bonus Plan is available to Lock employees meeting certain eligibility requirements. The plan is noncontributory and is qualified pursuant to the applicable provisions of the Internal Revenue Code.

Best Lock Corporation's cash contributions to the Stock Bonus Plan were $0 in 1992 and $250,000 in 1991, which amounts have been charged to expense in the accompanying financial statements. Contributions are determined by Lock's Board of Directors.

9. SEGMENT REPORTING

The Best Lock Companies are engaged in the manufacture and sale of locking systems only, and as such do not report on a segment basis. Foreign sales amount to approximately 7% of total sales during 1992 and 1991.

10. RETIREMENT PLANS

Effective September 1, 1989, the Company adopted a noncontributory defined benefit Employees' Pension Plan (Plan) to provide retirement benefits to substantially all current and retired employees as of September 1, 1989. The Company has received a favorable determination letter for the Plan from the Internal Revenue Service. The Plan provides benefits for past service only. The monthly benefit is based on the employee's years of service and compensation as of September 1, 1989. The benefits for retired employees were based upon amounts specified in the Plan. Under the Plan provisions, all participants were 100% vested at September 1, 1989. Normal retirement age is 65 with provisions for earlier retirement with reduced benefits. It is the Company's intent to fund the Plan over approximately four years until the Plan is fully funded. Company contributions are made to a trust fund whose assets consist of investments in a registered mutual fixed income fund.

BEST LOCK COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued

The Plan's funded status as of:	March 31 1992	December 31 1991
Actuarial present value of accumulated benefit obligation, discounted at 8%	$ 6,496,592	$ 6,508,591
Plan assets at fair value	4,199,590	4,213,569
Retirement benefit obligation included in the consolidated balance sheets	$ 2,297,002	$ 2,295,022

The Company's method of accounting for pension costs is to expense the cost of this Plan over approximately three years beginning in 1989. Net periodic pension cost including interest totaled $215,337 in 1992 and $2,000,000 in 1991.

The difference between the actuarial present value of accumulated benefit obligation and the amounts charged to operations is reflected as unamortized retirement benefit in the consolidated balance sheets. This amount was:

	March 31 1992	December 31 1991
Unamortized retirement benefit	$ 581,665	$ 795,022

In addition to the Plan adopted on September 1, 1989, the Company executed supplemental retirement benefit agreements with certain retirees and officers. For financial reporting purposes, the actuarial present value (discounted at 8%) of the benefits to be provided under the terms of these agreements were recognized in 1989, except for the agreement with the Company's President, which will be amortized over his estimated remaining service life. The Company recognized costs related to these agreements of $45,000 and $171,490 in 1992 and 1991, respectively. The retirement benefit obligation for supplemental benefits included in the consolidated balance sheets totaled $2,234,020 at March 31, 1992 and $2,267,692 at December 31, 1991. The benefits under these agreements will be paid monthly by the Company over the lifetime of the recipients.

A summary of the retirement benefit obligations included in the consolidated balance sheets is presented below:

	March 31 1992	December 31 1991
Defined Benefit Employees Pension Plan	$ 2,297,002	$ 2,295,022
Supplemental Retirement Benefit Agreements	2,234,020	2,267,692
	$ 4,531,022	$ 4,562,714
Current Portion	$ 2,334,365	$ 2,334,365
Non-current Portion	2,196,657	2,228,349
	$ 4,531,022	$ 4,562,714

BEST LOCK COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF

Results of Operations for the Quarter Ended March 31, 1992 as Compared to the Quarter Ended March 31, 1991

NET SALES of $19,658,062 increased $1,736,823 or 10%.

INCOME BEFORE TAXES of $1,629,795 increased $162,805 or 11%.

TAXES ON INCOME of $694,456 increased $45,678 or 7%.

NET INCOME for Best Lock Corporation and Subsidiaries of $935,339 increased $117,127 or 14%.

NET INCOME for Best Universal Lock Co. and Subsidiaries of $686,712 increased $85,280 or 14%.

NET INCOME for Frank E. Best Inc. and Subsidiaries of $538,780 increased $66,575 or 14%.

Financial Condition as of March 31, 1992 as Compared to December 31, 1991

WORKING CAPITAL of $23,117,349 increased $888,968 or 4%.

The CURRENT RATIO increased to 3.4.

PART II. OTHER INFORMATION

There is not information required to be filed under Items 1 through 6 of this Part Two during the quarter being reported herein.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

FRANK E. BEST, INC.
(Registrant)

By:
Roger E. Beaverson
Secretary and Treasurer
(Principal Accounting Officer)

Date: May 15, 1992

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FORM 10-Q

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SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Quarterly Report Under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For Quarter Ended September 30, 1991 Commission file Number 0-8128

G92-2229

FREMONT ENERGY CORPORATION
(Exact name of registrant as specified in its charter)

UTAH 83-6002983
(State or other Jurisdiction of (I.R.S. Employer
incorporation or organization) Identification no.)

3690 Norwood Drive
Littleton, Colorado 80125
(Address of principal executive offi [illegible] Code)

PROCESSED BY
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Q-Data Corp. - St. Petersburg, FL

303-791-7407
(Registrant's Telephone number Including area co[illegible]

655 Broadway Suite 1050
Denver, Colorado 80203
(Former address and principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 10 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports). and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the close of the period covered by this report.

As of December 31, 1990,- 34,152,576 shares of Common Stock were outstanding.

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FREMONT ENERGY CORPORATION

FORM 10-Q

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Consolidated Statement of Changes in Financial Position for the Period From January 1, 1989 to Sept 30, 1991 4

PART II Other information 5

FREMONT ENERGY CORPORATION
DENVER, COLORADO

INCOME STATEMENT FOR THE QUARTER

ENDING SEPTEMBER 31, 1991

	TOTAL SEP 91
REVENUES	
OIL AND GAS	59.44
OTHER INCOME	0.00
SALE OF ASSETS	0.00
RENTAL INCOME	0.00
TOTAL REVENUES	59.44
COST AND EXPENSES	
LEGAL AND ACCOUNTING	0.00
INTEREST EXPENSE	0.00
TAX EXPENSE	10.00
GENERAL AND ADMINISTRAT	1,260.16
RENT	0.00
OTHER EXPENSES	0.00
TOTAL COSTS AND EXPENSES	1,270.16
NET INCOME (LOSS)	(1,210.72)

FREMONT ENERGY CORPORATION
DENVER, COLORADO

BALANCE SHEET FOR QUARTER ENDING
SEPTEMBER 31, 1991

			JUNE 30, 1991	
ACCOUNT	DEBIT	CREDIT	DEBIT	CREDIT
CASH	15,942.80		17,153.52	
ACCOUNTS RECEIVABLE	900.00		800.00	
	1,319.00		1,319.00	
FURNITURE AND EQUIP	29,072.00		29,072.00	
LESS ACCUM DEPR		23,593.00		23,593.00
OIL AND GAS PROP	0.00			
OIL GAS SALES		641.94		782.50
OTHER INCOME		759.47		759.47
RENTAL INCOME		4,031.38		4,031.38
LEGAL AND ACCOUNTING	240.00		240.00	
SALARIES	0.00		0.00	
INTEREST EXPENSE	0.00		0.00	
TAX EXPENSE	406.23		396.23	
GENERAL AND ADMISTRATIVE	12,044.25		10,784.09	
RENT	12,533.50		12,533.50	
OTHER EXPENSE	0.00		0.00	
LOSS ON OIL & GAS PROP	142,600.00		142,600.00	
DEPL AND AMORT		61,775.00		61,775.00
ACCOUNTS PAYABLE TRADE		26,795.00		26,795.00
ACTS PBL OFCRS & STKHLDRS		191,703.99		191,703.99
NOTES PAYABLE		100,000.00		100,000.00
DEBENTURF PAYABLE		0.00		0.00
STOCKHOLDERS EQUITY				
COMMON STOCK $.01 PAR VALUE				
150,000,000 SHARES AUTH		214,493.00		
34,152,576 ISSUED AND		5,260,440.00		214,493.00
OUTSTANDING IN 1989				5,260,440.00
ADDITIONAL PAID IN CAPITAL				
RETAINED EARNINGS (DEFICIT)		(5,670,275.00)		(5,670,275.00)
TOTAL	214,957.78	214,957.78	214,898.34	214,898.34

ITEM 1 LEGAL PROCEEDINGS.

NONE

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

1. The Registrant has sold the Heavy Media Mill in Silverplume, Colorado to Mr. Douglas Watrus of Idaho Falls, Colorado for a sum of $15,000 plus Mr. Watrus has agreed to pay all of the past due taxes on the mill and cancel and debt which he or any other landowner may have against the Registrant or the mill properties.

2. Negotiating with two potential merger candidate, is continuing but no final decisions have been made.

There have been no stock splits

ITEM 3 DEFAULTS ON SENIOR SECURITIES:

NONE

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

NONE

ITEM 5. OTHER INFORMATION:

NOT APPLICABLE

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K:

A. The following exhibits are filed herein

1. Consolidated statement of changes in shareholders equity.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934. The Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

FREMONT ENERGY CORPORATION

DATED 3-10-97 BY

Emil J. Bertagnolli
Vice President

EXHIBIT A

FREMONT ENERGY CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY FOR PERIOD MARCH 31, 1991.

DISCRIPTION	COMMON SHARES	COMMON STOCK	CONTIRIBUTED CAPITAL IN EXCESS OF PAR VALUE	ACCUMULATED DEFICIT
BALANCE SEPT 31, 1990	34,152,576	$341,526	$5,260,090	($5,785,714)
CORRECT ERROR ON ORIGINAL STOCK ISSUANCE	10,000	$100	($100)	
NET LOSS FOR THE YEAR ENDED SEPT 30, 1990 1989				($162.434)
BALANCE SEPT. 30, 1990	34,162,576	$341,626	$5,259,990	($6,035,432)
NET LOSS FOR YEAR ENDED SEPTEMBER 30, 1991				($1.271)
	34,162,576	$341,626	$5,259,990	($6,036,703)

Earnings per share computations are based on the weighted average of common shares outstanding.

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)
(X) QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ending April 30, 1992

or

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________ to ___________

Commission File No. 0-5406

FUTURE COMMUNICATIONS, INC.
(Exact name of Registrant as specified in Charter)

New Jersey	22-1837650
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

11407 Emerald Road, Suite 109, Dallas, Texas 75229
(Address of principal offices including Zip Code)

Registrant's telephone number, including area code (214) 243-2267

Indicate by check whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

The number of shares outstanding of each of the issuer's classes of stock as of the latest practicable date:

Class	Outstanding at April 30, 1992
Common Stock, $.001 par value	7,259,034

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FUTURE COMMUNICATIONS, INC.
AND SUBSIDIARIES

April 30, 1992

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PART II. OTHER INFORMATION

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FUTURE COMMUNICATIONS, INC., AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

ASSETS

	April 30, 1992 (Unaudited)	October 31, 1991
CURRENT ASSETS:		
Cash and Cash Equivalents	$559,267	$170,583
Current Portion of Note Receivable	222,667	222,667
Account Receivable-trade	1,516,636	3,503
Inventory	18,893	3,883
Total Current Assets	2,317,462	400,636
PROPERTY AND EQUIPMENT - AT COST:		
Autos	0	0
Cable Systems	924,625	649,625
Machinery and Equipment	307,350	55,091
Furniture and Fixtures	7,360	5,798
	1,239,335	710,514
Accumulated Depreciation and Amortization	(135,797)	(97,098)
Total Property and Equipment	1,103,538	613,416
INTANGIBLE ASSETS:		
Films and Graphics, film marketing rights movie blocks and trade name, less accum. amortization of $542,115 and $428,296 respectively	5,331,345	5,023,390
Prepaid production costs	291,100	350,000
Sub-title Agreement, less accumulated amortization of $88,719 and $62,469	961,281	987,531
Net Intangible Assets	6,583,726	6,360,921
Other receivables:		
Accounts Receivable - Affiliates	971,616	810,616
Accounts Receivable - Other	21,303	51,969
Accrued Interest Receivable	87,498	193,567
Less: Deferred interest income	(80,457)	(193,567)
Notes Receivable - Affiliate	5,041,586	5,815,959
Notes Receivable - other	1,070,818	1,280,473
Less: Deferred gains	(2,338,645)	(2,759,517)
Less: Allowance for doubtful accounts	(216,296)	(216,296)
	4,557,424	4,983,204
Other Investments	2,611,799	2,276,798
TOTAL ASSETS	$17,173,949	$14,634,975

The accompanying notes are an integral part of these statements

FUTURE COMMUNICATIONS, INC., AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992 (Unaudited)	October 31, 1991
CURRENT LIABILITIES:		
Accounts payable - trade	$824,181	$108,862
Accounts payable - affiliates	89,472	0
Notes payable	11,020	19,891
Deferred revenue	0	109,500
Federal income tax payable	771,010	271,960
Accrued interest	9,326	9,326
Other accruals	128,765	102,919
Total current liabilities	1,833,774	622,458
Deferred federal income tax	153,400	253,925
Total liabilities	1,987,174	876,383
Stockholders' equity:		
Preferred stock - $.01 par value; authorized, 2,000,000 shares; no shares issued or outstanding		
Common Stock - $.001 par value; authorized - 25,000,000 shares; issued 7,259,034 shares	7,259	6,699
Warrants issued and unexcercised	75,000	75,000
Additional paid-in capital	19,037,099	18,452,200
Treasury stock - 1804 shares, at cost	(28,017)	(28,017)
Retained earnings (deficit)	(3,904,565)	(4,747,290)
Total Stockholders' equity	15,186,775	13,758,592
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$17,173,949	14,634,975

The accompanying notes are an integral part of these statements

FUTURE COMMUNICATIONS, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

	Three Months Ended		Six Months Ended	
	4-30-92	4-30-91	4-30-92	4-30-91
Total Revenue	$2,694,363	$527,807	$3,152,896	$947,935
Total Cost of Sales	$1,389,977	4,609	1,389,977	7,177
Gross Profit from Operations	1,304,386	523,198	1,762,918	940,758
General and Administrative	713,514	273,920	1,061,739	375,720
Depreciation & Amortization	88,263	130,943	206,902	260,571
Profit (loss) from Operations	502,609	118,335	494,278	304,467
Other income/expense:				
Gain on sale of Assets	128,182	0	352,462	0
Gain on exchange of stock for liabilities	0	57,290	0	57,290
Interest expense	0	(24,310)	(129)	(48,620)
Interest income:				
Related Parties	53,035		225,686	
Others	58,859	13,376	168,859	24,615
Other	94	(12,189)	94	(11,276)
Total Other	240,170	34,167	746,972	22,009
Net Income(Loss)	742,779	152,502	1,241,250	326,476
Federal income taxes	240,795	64,424	398,525	110,457
Net Income	$501,984	$88,078	$842,725	$216,019
Earnings per Share	$0.0731	$0.0187	$0.1242	$0.0476
Weighted Average No. Shares	6,869,456	4,698,852	6,783,208	4,541,024

The accompanying notes are an integral part of these statements

FUTURE COMMUNICATIONS, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW
(UNAUDITED)

	Six Months Ended April 30, 1992	Six Months Ended April 30, 1991
Net Income (Loss)	$842,725	$216,019
Adjustments to reconcile net income to net cash received by operations:		
Depreciation & Amortization	206,902	266,960
Gain on Sales of Assets		884,600
Gain on exchange of stock for liabilities	0	(57,290)
Common stock issued for services	375,000	
Net changes in operating assets and Liabilities:		
Accounts Receivable	(1,513,133)	(492,411)
Inventory	(15,010)	0
Accrued interest receivable	106,069	(6,054)
Accounts payable	715,319	(199,302)
Accrued federal income tax payable	398,525	
Accrued expenses	25,846	125,426
Recognition of deferred revenue	(643,482)	(275,000)
Net cash (used) provided by operations	498,761	462,948
Cash Flow from investing activities:		
Prepaid production costs		
Sales (purchases) of movie blocks	(391,010)	(4,160)
Sales (purchases) of cable systems	(275,000)	
(purchases) of machinery/equipment	(253,821)	(31,604)
(Increase) decrease in other receivables	30,666	
Increase in other investments	(335,000)	(10,000)
Advances to affiliate	(161,000)	
(Increase) Decrease in Notes Receivable	984,028	(46,876)
Net cash (used) provided from Investing	(401,137)	(92,640)
Cash flow from financing activities:		
Increase in advances from affiliates	89,472	
Sale of Warrants	0	75,000
Proceeds from Common stock issued	210,459	
(decrease) in Notes Payable	(8,871)	(30,962)
Net cash (used) provided from financing	291,060	44,038
Net cash flows	388,684	414,346
Cash and cash equivalents: beginning of period	170,583	12,994
end of period	$559,267	$427,340

The accompanying notes are an integral part of these statements

FUTURE COMMUNICATIONS, INC., AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 1. The consolidated financial statements included herein have been prepared by the Registrant, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. It is suggested that these unaudited consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 1991, and filed with the Securities and Exchange Commission. The consolidated financial statements reflect all adjustments (consisting of normal recurring accruals only) which are, in the opinion of management, necessary to present fairly the consolidated financial position, results of operations and cash flow of the Registrant as of April 30, 1992 and for the interim periods then ended. The results of operations for the interim periods are not necessarily indicative of the results to be obtained for the entire year.

Note 2. Certain reclassifications and adjustments have been made to the consolidated statements for the comparative period of the prior fiscal year for consistency with the presentation for the current period. The registrant has filed an amended 10Q for the period ended April 30, 1991 reflecting these changes.

Note 3. Income Taxes - The Company has adopted FASB 109 as of April 30, 1992 and both current and deferred Federal income taxes are provided as applicable.

Note 4. During the quarter ended April 30, 1992, and pursuant to gains deferred in connection with the May 22, 1991 agreement with TWE Associates, filed as exhibit (10)(tt) of the Registrant's July 31, 1991 Quarterly Report on form 10Q, the Registrant recognized $128,182 of deferred gain, which has been classified as revenue. The gain was recognized based on principal collections received on the promissory note received in the transaction.

Note 5. Films inventory consists of the following amounts net of amortization as of April 30 and October 31:

	April 30, 1992	October 31, 1991
Films	$2,671,326	$2,744,176
Film marketing rights	1,294,961	1,333,792
Movie blocks	1,295,762	873,332
Graphics and tradename	69,296	72,090
	$5,331,345	$5,023,390

Films and graphics, film marketing rights and movie blocks are recorded at cost and amortized over twenty years using the straight-line method.

FUTURE COMMUNICATIONS, INC., AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 6. At April 30, 1992 notes receivable consisted of the following:

	April 30, 1992	October 31, 1991
Affiliates:		
Communication Investment Corporation Interest at 7% per Annum collateralized by Cable systems and equipment.	$ -0-	$ 84,314
Communication Investment Corporation Interest at 8% per Annum collateralized by Cable systems and equipment.	$3,170,927	$3,721,610
Stone Grill International, Inc. Demand notes at 12 % per annum	13,326	152,702
Classic Video Theatre, Inc. Interest at 9.5% convertible into common stock of the Company.	2,080,000	2,080,000
	5,264,253	6,038,626
Less current portion	(222,667)	(222,667)
	$5,041,586	$5,815,959
Non-Affiliates:		
TWE Associates, A Texas general partnership, collateralized by studio equipment, broadcasting equipment and related computers and equipment. Interest due quarterly and principal reductions of 15% of outstanding balance due annually	1,070,818	1,280,473

Note 7. Other investments are stated at cost unless otherwise noted and consisted of the following at April 30, and October 31.

	April 30, 1992	October 31, 1991
119,048 shares common stock in Communication Investment Corporation (19.9% non-diluting interest); approximates market value	$1,291,378	$1,291,378
1,590,909 shares common stock in Main Street TV, Inc. (19% interest); current market value approximately $250,000 (see deferred gain below)	3,000,000	3,000,000

Note 7. Other Investments (continued)

	April 30, 1992	October 31, 1991
2,500,000 preferred shares (8%) in Classic Video Theatre, Inc. convertible into common shares at $10 each; currently no market value	-	-
10,000,000 common shares in Foliage Plus, Inc. voting interest in only 1,000,000 shares; (6.5% voting interest) approximates market value	700,000	400,000
1,000,000 common shares Republic Holding Corp. (0.5% interest); currently no market value	-	-
6,837,000 preferred shares Republic Holding Corp. currently no market value (see deferred gain below)	160,000	160,000
320,000 Silicon Disk Corporation; (less than 5% interest) approximates market value.	579,200	
16,267,756 shares common stock in Stone Grill International, Inc. (36.67% interest); cost basis $343,967, carried on the equity method	335,420	335,420
Deposits	35,000	
	6,100,998	5,186,798
Less: deferred gains (see below)	(3,489,200)	(2,910,000)
	$2,611,798	$2,276,798

All investments listed above are in publicly held companies, with the exception of Stone Grill International, Inc. which is privately owned, and is the subject of a Registration Statement filed with the Securities and Exchange Commission that has not yet been ordered effective.

Deferred gains are shown as an allowance to investment securities received in exchange for goods and services where the profit realization is contingent upon future events. Ultimate gains on these transactions will be recognized at such time as realization is reasonably certain.

FUTURE COMMUNICATIONS, INC., AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 8. Related party transactions for the three months ending April 30, 1992 are as follows:

Communication Investment Corporation ("CIC") owns and operates private cable television systems. CIC has purchased several systems from the Registrant in exchange for promissory notes and assumptions of liabilities. During the fiscal year ended October 31, 1991 the Registrant realized a gain on the sale of systems to CIC in the amount of $1,623,401. Interest income includes interest of $ 53,035 received from CIC during the quarter ended April 30, 1992. Principal payments received during the same period on the promissory notes amounted to $74,065.

Main Street TV, Inc.("WAQ") operates a television station, WAQ-TV Channel 19 in Palm Beach, Florida. Sales to WAQ were $ 7,260 for the quarter ended April 30, 1992 and are included in program licensing revenues.

In the fiscal year ended October 31, 1991 Classic Video Theatre, Inc. ("CVTI") acquired from Hollywood Broadcasting Network,Inc. an exclusive non-transferable worldwide right to distribute certain films and other programs in video and laser cassette format for resale to retailers and video outlets. These rights were acquired for a promissory note in the amount of $2,080,000. During the quarter ended April 30, 1992 the Registrant recognized no interest income from CVTI since no payments were received on the interest or note payable.

Note 9. Supplemental operating and cash flow information

During the three months ended April 30, 1992 the Company had the following non-cash transactions:

The registrant recognized deferred gain in the amount of $128,182 out of a total of $661,107 that had been deferred in connection with the sale of equipment to TWE Associates during the fiscal year ended October 31, 1991. The Registrant received additional principal payments and is thereby justified in recognizing the gain to the extent of the additional payments received.

During the quarter ended April 30 1992 no program revenues were recognized for advertising time utilized by Foliage Plus, Inc. as a part of the presold television broadcast advertising time for which the Registrant received 10,000,000 shares of common stock. As the advertising time is utilized the Registrant will recognize income to the extent that the investment in the common stock does not exceed current market value.

The Registrant through its Television Network Subsidiary MSTV, Inc. contracted with Milton Berle for his services as a spokesperson and "Chairman of the Executive Committee" of Future Communications, Inc. and the Network. Compensation was set at 50,000 shares of common stock of the Registrant and cash compensation to be paid quarterly over a 5-year period for a total of $1,250,000.

FUTURE COMMUNICATIONS, INC., AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 9. Supplemental operating and cash flow information (continued)

In March of 1992 the Registrant presold broadcast advertising television time to an affiliate (Stone Grill International, Inc.) in the amount of $2,000,000 to be provided in the future in exchange for 320,000 restricted shares of common stock of Silicon Disk Corporation, a publicly held company, valued by the Registrant at approximately $960,000 after a 50% reduction for the Rule 144 restriction on the transfer of stock and the low volume of trading of the stock.

FUTURE COMMUNICATIONS, INC. AND SUBSIDIARIES

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations - Comparison of Three Months Ended April 30, 1992, to the Three Months Ended April 30, 1991:

During the quarter ended April 30, 1992 the Registrant generated total revenue of $2,694,363 representing a $2,156,346 (410%) increase from the $ 527,807 in revenues generated in the second quarter of fiscal 1991. Other income from sale of assets for the quarter increased $128,182 from $ -0- in 1991. Net income before provision for federal income taxes of $742,779 for the quarter ended April 30, 1992 increased $590,277 (387%) over 1991; and net income after tax of $501,984 increased $413,903 or 470% over net income of $88,078 in 1991.

The $2,156,346 increase in total revenue was principally attributable to a sale of cable television equipment for a cable system in Juarez Mexico. The total contract is for $2,250,000 of which a portion has been shipped and $1,521,000 has been recognized as revenue. The balance of revenue is made up of sales of advertising time, shipments and transmission by satellite of nostalgic television programming.

The increase in other income was made up principally from the recognition of a portion of gain deferred in the fiscal year ended October 31, 1991. Additional principal payments were received by the Registrant and thereby conditions were met for recognition of gain to the extent of the additional principal reductions received on the underlying promissory note. Interest income of $111,894 also increased $98,518 from $13,376 in 1991. This increase was principally due to three new contracts consummated during the fiscal year ended October 31, 1991. One contract was for a sale of private cable systems in October, 1991; another for a sale of equipment in May, 1991; and the third was the granting of a license for programming for use in video and laser cassette format for resale to retailers and rentals.

The increase in net income for the quarter ended April 30, 1992 was principally the result of: (i) Additional revenues from the sale of the Cable Television system to Juarez Cablevision located in Juarez, Mexico and additional revenues from the sales of television advertising time partially offset by the increase in cost of sales related to the sale of the Mexico Cable System; (ii)Increases in interest income of $98,518 and gain on sale of assets of $128,182 partially offset by an increase in general and administrative expenses of $439,594 (160%); and (iii) the provision for Federal income tax for the quarter ended April 30, 1992 of $240,795 was an increase of $176,371 (274%) over the Federal tax provision of $64,424 for the comparable period in 1991.

By the Registrant electing the installment method for reporting the gains on the sales of both the private cable Television systems for tax purposes, a substantial portion of the tax provision is deferred until collections are received on those installment obligations relating to the sales. Net operating losses for both book and tax have been used up thereby creating a net tax provision for the current and future quarters.

During the quarter ended April 30, 1992 The Registrant spent a material amount of time developing TV programming for and the parameters underlying its network of broadcast television stations affiliates encompassing the Main Street Television Network. Since programming is only shipped, or transmitted by satellite, to those television stations that have signed affiliate agreements, becoming a broadcast television affiliate with the Main Street Television Network, the Registrant receives, in consideration of furnishing programming, local and national advertising broadcast television time for its use. This advertising time is then available for the Registrant to sell to others as prepaid advertising or to utilize in connection with its "per inquiry" direct response marketing operations. During the quarter ended April 30, 1992 the Registrant presold broadcast advertising television time to an affiliate (Stone Grill International, Inc.) in the amount of $2,000,000 to be provided in the future in exchange for 320,000 restricted shares of Common Stock of Silicon Disk Corporation valued at approximately $960,000 by the Registrant after a 50% haircut for the Rule 144 restriction and lack of significant trading volume. Revenue is generated if and when the commercial air time is utilized by the purchaser for advertising of the purchaser's product. Principally as a result of the trend toward a material increase in the shipment of programming experienced during 1991, the Registrant intends to expand the marketing of prepaid advertising as a material source of revenue.

Private cable TV system acquisition and resale was and is expected to continue to be a dominant segment of the business of Multifamily Cablevision, Inc., the Registrant's cable television subsidiary. As of the date of this Report, the Registrant owns 2796 private cable television system passes which are being operated under a management contract with Communication Investment Corporation, an affiliate. Registrant is continuing to look for favorable acquisitions for the purchase of new private cable systems as well as the, upgrade and eventual sale of its existing passes.

Results of Operations - Comparison of six months Ended April 30, 1992, to the six months Ended April 30, 1991:

For the six months ended April 30, 1992 the Registrant recorded total revenues of $3,152,896 compared to $947,935 for the comparable period in 1991 for an increase of $2,204,961 (232%). Other income from sale of assets for the same six months period increased $352,462 from $ -0- in 1991. The net income before taxes of $1,241,250 increased $941,774 (280%) over the $326,746 reported for the six months ended April 30, 1991. Net income after tax increased $626,706 (290%) from $216,019 in 1991 to $842,725 for the period ended April 30, 1992.

The principal increase in total revenue for the six months ended April 30, 1992 of $2,204,961 (232%) is attributable to the sale of cable television equipment for a cable system in Juarez, Mexico of $1,521,000 with the balance being made up of sales of advertising time for cash and cash equivalents, and sales on account for programming shipped or delivered during the period. During the six months ended April 30, 1992 cost of sales increased $1,382,800 as a direct result of the sale to the Juarez, Mexico project.

The increase in other income of $352,462 was made up principally from the recognition of a portion of gain deferred in the fiscal year ended October 31, 1991. These gains were recognized on the basis of additional collateral and payments received on the principal balance of the underlying promissory note. Interest Income also increased $369,930 from $24,615 for the six months ended April 30, 1991 to $394,545 for the six months ended April 30, 1992. This increase was principally due to three new contracts consummated during the fiscal year ended October 31, 1991.

General and administrative expenses also increased $686,019 (183%) during the six months ended April 30, 1992 over $375,720 during the comparable period in 1991. This was largely due to increased activity in the development of the television network and the professional fees including $43,750 as the first quarterly payment due to Milton Berle as the "spokesperson and Chairman of the Executive Committee" for Future Communications, Inc. and the Network.

The Provision for Federal Income tax increased $288,068 (260%) from 110,457 in 1991 to $398,525 as a direct result of the increased income of the Registrant.

Results of Operations - Comparison of six months Ended April 30, 1992, to the six months Ended April 30, 1991:

For the six months ended April 30, 1992 the Registrant recorded total revenues of $3,152,896 compared to $947,935 for the comparable period in 1991 for an increase of $2,204,961 (232%). Other income from sale of assets for the same six months period increased $352,462 from $ -0- in 1991. The net income before taxes of $1,241,250 increased $941,774 (280%) over the $326,746 reported for the six months ended April 30, 1991. Net income after tax increased $626,706 (290%) from $216,019 in 1991 to $842,725 for the period ended April 30, 1992.

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The Provision for Federal Income tax increased $288,068 (260%) from 110,457 in 1991 to $398,525 as a direct result of the increased income of the Registrant.

Liquidity and Capital Resources:

During the current quarter ended April 30, 1992 The Registrant attained a positive working capital ratio for the first time since present management assumed control in 1983.

During the quarter ended April 30, 1992 the Registrant increased current liabilities by $1,211,316 (195%) from $622,458 at October 31, 1991 to $1,833,774 in 1992. The increase in current liabilities is made up principally of the payable for equipment to be shipped to Mexico in the amount of $672,000. The Registrant, at April 30, 1992 had no long-term debt with the exception of $153,400 of deferred Federal income taxes payable. The deferred Federal income taxes become payable as the deferred tax gain from the installment sales of assets are recognized for Federal income tax purposes. During the current quarter, due to collections on the installment obligations, the deferred liability decreased by $28,991 which also increased the amount of Federal income tax currently payable. The only current liability of significance is the current quarter's accrual of Federal income tax payable, the payable for equipment to be shipped to Juarez Mexico on the Cable System Sale, and trade payables of $136,333.

Management believes that during fiscal year ending October 31, 1992 cash flow from continuing operations will be sufficient to cover the current accounts payable and accrued expenses. The Registrant will continue to look to payments from the notes receivable from Communication Investment Corporation, TWE Associates and other receivables to cover the Federal income tax currently payable. In addition the Registrant's liquidity and capital resources may be enhanced by the proceeds of the exercise of issued and outstanding common stock purchase warrants, and to a lesser extent from the revenue generated from the fulfillment of a contract for the placing of cable TV systems and equipment in the City of Juarez, Mexico. The Registrant also anticipates selling a portion of the Main Street Television Network to generate additional working capital.

PART II

OTHER INFORMATION

Item 5. Other Information.

None

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

10 (nnn) April 12, 1992 Consulting Agreement with Milton Berle

10 (ooo) March 24, 1992 Acquisition of Airtime Agreement between Stone Grill International, Inc. and Hollywood Broadcasting Network, Inc.

(b) Reports on Form 8-K.

None

FUTURE COMMUNICATIONS, INC., AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: Dallas, Texas

June 12, 1992

FUTURE COMMUNICATIONS INC.

By: ______________________
Sergio Bosco
President

By: ______________________
David W. Gorman
Chief Financial Officer

0 21669

0-35242

92 14 4586

12

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 1992

F92-2229

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ ______ to ______

RECD S.E.C.
[illegible]
148

Commission File No. 0-15862

GVC VENTURE CORP.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

13-3018466
(I.R.S. Employer Identification No.)

149 Addison Road, Windsor, CT
(Address of principal executive offices)

06095
(Zip Code)

Registrant's telephone number, including area code: 203-688-6421

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ___

Indicate the number of shares outstanding of each of issuer's classes of common stock, as of the latest practicable date:

The number of shares outstanding of the issuer's Common Stock, $.10 par value, as of May 12, 1992, was 2,250,390.

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GVC VENTURE CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except per share data)	March 31, 1992	June 30, 1991
Assets		
Current assets		
Cash and cash equivalents	$ 278	$ 215
Accounts receivable (net of allowance of $33 and $22)	643	724
Inventories, principally raw materials and componentry	195	191
Prepaid expenses and other current assets	134	60
Total Current Assets	1,250	1,190
Machinery and equipment at cost	1,229	822
Less allowances for depreciation	190	83
Net machinery and equipment	1,039	739
Library file (net of amortization of $37 and $18)	355	374
Non-competition agreement (net of amortization of $90 and $45)	210	255
Other assets (net of amortization of $46 and $25)	166	181
Total Assets	3,020	2,739
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and accrued expenses	$ 707	$ 727
Note payable - bank	400	100
Current installments on long-term debt	108	63
Total Current Liabilities	1,215	890
Other Liabilities	23	28
Long term debt leasing	307	215
Subordinated convertible debt	275	-
Stockholders' Equity		
Common stock--$.10 par value; 10,000,000 shares authorized, 2,250,390 shares and 2,244,390 shares issued and outstanding	225	224
Paid-in capital	1,685	1,683
Translation adjustment	(10)	(10)
Deficit	(700)	(291)
Treasury Stock (73 shares)	-	-
Total Stockholders' Equity	1,200	1,606
Total Liabilities & Stockholders' Equity	$ 3,020	$ 2,739

See Notes to Consolidated Financial Statements

GVC VENTURE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In Thousands except per share data)	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991	Nine Months Ended March 31, 1992	Nine Months Ended March 31, 1991 Proforma
Revenues	$1,305	$1,108	$3,725	$3,671
Cost of Sales	820	661	2,634	2,245
Gross Profit	485	447	1,091	1,426
Selling, General & Administrative Expenses	456	552	1,459	1,716
Operating Profit/(Loss)	29	(105)	(368)	(290)
Interest Income/(Expense)	(16)	2	(34)	23
Gain/(Loss) on Sale of Fixed Assets	-	-	3	-
Net Income/(Loss) before Income Taxes	13	(103)	(399)	(267)
Franchise Tax	3	3	10	6
Net Income/(Loss)	$ 10	$ (106)	$ (409)	$ (273)
Income/(Loss) per share of common stock	$ -	$ (.05)	$ (.18)	$ (.12)
Weighted average number of common shares outstanding	2,245,390	2,239,390	2,245,390	2,237,168

See Notes to Consolidated Financial Statements

GVC VENTURE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Nine Months	Six Months
	Ended March 31,	
	1992	1991
	(In Thousands)	
Operating Activities		
Net Loss	(409)	(255)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation	107	43
Amortization of library file	19	12
Amortization of non-competition agreement	45	15
Amortization of other assets	29	32
Write-off of Fixed Assets	-	5
Translation Component on Equity	-	1
Changes in operating assets and liabilities-net:		
(Increase) decrease in accounts receivables	81	(6)
(Increase) decrease in inventories	(4)	(1)
(Increase) decrease in prepaid expenses, other current assets and other assets	(88)	7
Increase (decrease) in accounts payable, accrued expenses and other current liabilities	(20)	110
Increase (decrease) other liabilities	(5)	-
Net Cash provided (used) by operating activities	(245)	(37)
Investing Activities:		
Purchase of machinery and equipment	(213)	(156)
Proceeds from sale of machinery and equipment	2	9
Net Cash provided (used) by investing activities	(211)	(147)
Financing Activities:		
Increase (decrease) in note payable - bank	300	-
Issuance of subordinated convertible debt	275	-
Issuance of common stock for services rendered	3	-
Repayment of lease financing	(59)	(9)
Net Cash provided (used) by financing activities	519	(9)
Increase (decrease) in cash and cash equivalents	63	(193)
Cash and cash equivalents at beginning of period	215	441
Cash and cash equivalents at end of period	278	248

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
(continued)

	Nine Months	Six Months
	Ended March 31,	
	1992	1991
	(In Thousands)	
Note 1: Interest and Income Taxes paid were as follows		
Interest	33	4
Income Taxes	19	9

Note 2: During the first nine months of fiscal 1992 the Company incurred a capital lease obligation of $196,000 in connection with lease agreements to acquire fixed assets.

See Notes to Consolidated Financial Statements

GVC VENTURE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Three Months Ended August 25, 1990 Preston Engravers Predecessor (In Thousands)
Operating Activities	
Net Profit	141
Adjustments to reconcile net loss to net cash provided (used) by operating activities:	
Depreciation	33
Amortization of other assets	7
Changes in operating assets and liabilities-net:	
(Increase) decrease in accounts receivables	14
(Increase) decrease in prepaid expenses, other current assets and other assets	7
Increase (decrease) in accounts payable, accrued expenses and other current liabilities	33
Net Cash provided (used) by operating activities	235
Investing Activities:	
Purchase of machinery and equipment	-
Proceeds from sale of machinery and equipment	
Net Cash provided (used) by investing activities	-
Financing Activities:	
Cash transfer to Quincy Technologies	(235)
Net Cash provided (used) by financing activities	(235)
Increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents at beginning of period	2
Cash and cash equivalents at end of period	2

GVC VENTURE CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

A. The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Regulation S-X related to the preparation of interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation. Operating results for the nine months ended March 31, 1992 are not necessarily indicative of the results that may be expected for the full year ending June 30, 1992. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 1991.

B. On October 3, 1990 Preston Engravers Inc. ("Preston"), a wholly-owned subsidiary of the Company, acquired the assets of the Preston Engravers division of Quincy Technologies, Inc. for $1,561,000 in cash plus the assumption of certain liabilities. Preston Engravers is engaged in the manufacture and sale of rotary tooling for the printing industry and had revenues of approximately $5 million for the year ended May 26, 1990.

C. The results for Preston Engravers for the three months ended August 25, 1990, were as follows:

Statement of Operations	(In Thousands)
Revenues	$1,251
Cost of Sales	767
Gross Profit	484
Selling, General & Administrative Expenses	343
Operating Profit/(Loss)	$ 141

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations - Three Months Ended March 31, 1992 Compared with Three Months Ended March 31, 1991

Revenues of $1,305,000 increased by $197,000 from the same period in the prior year, as a result of the Company gaining new customers.

Cost of sales of $820,000 increased by 24% from the corresponding period in the prior year. The majority of the increase relates to higher sales and somewhat to the longer than anticipated integration period for the new manufacturing techniques.

Selling, general and administrative expenses of $456,000 decreased by $96,000 from the prior year due to cost reductions.

Interest expense of $16,000 increased by $18,000 from the prior year resulting from interest on equipment leases and the bank credit line and lower cash balances available for investments.

Franchise taxes of $3,000 were for the states of Connecticut and Delaware.

Results of Operations - Nine Months Ended March 31, 1992 Compared with Nine Months Ended March 31, 1991 Proforma

Revenues of $3,725,000 for the nine months ended March 1992 increased by $54,000 over the prior period due to new customers somewhat offset by the weak U.S. economy.

Cost of sales of $2,634,000 was 17% higher than the corresponding period in the prior year as a result of having to introduce new manufacturing techniques and equipment and at the same time meet industry accepted delivery schedules which led to higher than anticipated labor costs and overtime charges.

Selling, general and administrative expenses of $1,459,000 were $257,000 lower due to the elimination of directors and officers liability insurance ($34,000), absence of a major trade show in the current year ($25,000) and cost reductions due to computerization.

Interest expense of $34,000 increased by $57,000 due to additional equipment leases, use of the bank credit line and lower cash balances available for investments.

Franchise taxes of $10,000 were for the states of Connecticut and Delaware.

Liquidity and Capital Resources

During the first nine months of fiscal 1992 the Company had a positive cash flow of $63,000 due to issuance of $275,000 in subordinated convertible debentures, utilizing $300,000 of its bank credit line and $200,000 depreciation and amortization of assets. These funds were used to fund the loss of $409,000 from operations, purchases of new equipment $213,000, and repayment of lease financing $59,000.

Part II

Item 5. Other Information

The Company was advised by NASDAQ on or about April 1, 1992 that its common stock was trading at a price less than that required for continued inclusion on the NASDAQ system. NASDAQ has not commenced a delisting action but advised the Company that it had ninety days within which to comply with NASDAQ's requirements. The Company cannot ensure that its stock price will enable it to continue to be listed on NASDAQ, and no assurance can be given that the Company will continue to be listed on NASDAQ.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GVC VENTURE CORP.

Date: May 12, 1992

By: ______________________
Russell Banks,
Chairman of the Board
of Directors
(Principal Executive
Officer)

Date: May 12, 1992

By: ______________________
Marc J. Hanover
Vice President-Finance
and Treasurer (Principal
Financial and Accounting
Officer)

P.E. 7/31/91

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FORM 8

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Q-35291

AMENDMENT TO APPLICATION OR REPORT

Filed pursuant to Section 12, 13, or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

J92-2229

INNOVATIVE TECH SYSTEMS, INC. f/k/a WINDY CITY CAPITAL CORPORATION
(Exact name of registrant as specified in charter)

COMMISSION FILE NO. 33-17856-C
AMENDMENT NUMBER ONE

The undersigned registrant hereby amends the following items, financial statements, exhibits or other portions of its Form 10Q as set forth in the pages attached hereto:

(List all such items, financial statements, exhibits or other portions amended)
For the Quarter Ending July 31, 1991
Item 8. Financial Statements

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly cause this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

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INNOVATIVE TECH SYSTEMS, INC.
(Registrant)

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By: William Thompson
William Thompson, President

Dated: July 13, 1992

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended: JULY 31, 1991

Commission File Number: 33-17856-C

INNOVATIVE TECH SYSTEMS, INC. f/k/a WINDY CITY CAPITAL CORPORATION
(Exact name of Registrant as specified in its charter)

Illinois	65-0071222
(State of Other jurisdiction of incorporation)	(IRS Employer Identification Number)

1250 Easton Road, Suite 250, Horsham, PA 19044
(Address, including zip code, of registrant's
principal executive offices)

(215) 441-5600
(Registrant's telephone number,
including area code)

Former Address- 589 Bethlehem Pike, Suite 1200, Montgomeryville, PA 18936
(Former name, address and fiscal year, if changed
since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 of 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports, and (2) has been subject to such filing requirements for the past 90 days.

YES XX NO ______

Indicate the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date.

Class: Common
Outstanding at July 31, 1991: 27,260,188
Class: Preferred
Outstanding at July 31, 1991: 28,200

INNOVATIVE TECH SYSTEMS, INC.

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PART II. OTHER INFORMATION

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INNOVATIVE TECH SYSTEMS, INC.
A DEVELOPMENT STAGE COMPANY
BALANCE SHEET

ASSETS

	July 31 1991 Unaudited	January 31 1991 Audited
CURRENT ASSETS		
Cash	37,328	40,172
Accounts Receivable	55,990	65,165
Advances-officers	16,218	16,218
Other current assets	2,500	4,676
Total current assets	112,036	126,231
PROPERTY AND EQUIPMENT, less accumulated depreciation of $ 6,680 AND $ 3,696	28,035	26,147
OTHER ASSETS		
Organization Costs, net amortization of $ 383	352	352
Computer Software, less accumulated amortization of $ 31,058 and $ 16,632	$ 170,900	$ 185,326
Total other assets	$ 171,252	$ 185,678
TOTAL ASSETS	$ 311,323	$ 338,056

See Notes to Financial Statements

INNOVATIVE TECH SYSTEMS, INC.
A DEVELOPMENT STAGE COMPANY
BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

	July 31 1991 (Unaudited)	January 31 1991 (Audited)
CURRENT LIABILITIES		
Accounts Payable	$ 77,200	$ 57,809
Accrued expenses	3,021	3,408
Accrued payroll and payroll taxes	5,882	10,532
Sales tax payable	7,806	
Total current liabilities	93,909	71,749
STOCKHOLDERS' EQUITY (Note 1)		
Common Stock- Par Value $.001; authorized 100,000,000 shares. Issued and outstanding 27,260,188 shares as of July 31, 1991 and 27,882,688 shares on Jan. 31, 1991	27,260	27,883
Preferred Stock- par value $.001 authorized 200,000,000 shares; issued and outstanding 28,200 shares	28	28
Additional Paid-In Capital	635,290	634,667
Deficit accumulated during development stage	(445,164)	(396,271)
TOTAL STOCKHOLDERS' EQUITY	217,414	266,307
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 311,323	$ 338,056

INNOVATIVE TECH SYSTEMS, INC.
A DEVELOPMENT STAGE COMPANY
STATEMENT OF OPERATIONS AND DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE

	For the Six Months Ended July 31 1991	For the Six Months Ended July 31 1990	Period from May 2, 1986 (Inception) to July 31 1991
REVENUES			
Sales	$ 189,242	$ 107,162	$ 483,300
Interest and other income	1,004		7,626
Total revenues	$ 190,246	$ 107,162	$ 490,926
COSTS AND EXPENSES			
Cost of sales	156,377	209,134	418,839
Selling, general and administrative expenses	82,762	104,730	517,251
Total costs and expenses	$ 239,139	$ 313,864	$ 936,090
NET LOSS	(48,893)	(206,702)	(445,164)
Deficit accumulated during development stage, beginning of period	(396,271)	(191,041)	
DEFICIT ACCUMULATED DURING DEVELOPMENT STAGE, END OF PERIOD	(445,164)	(397,743)	

Loss per share	.0018	.0074
Number of Shares Outstanding for the Period	27,260,188	27,829,250

See Notes to Financial Statements

INNOVATIVE TECH SYSTEMS, INC.
A DEVELOPMENT STAGE COMPANY
STATEMENT OF OPERATIONS AND DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE

	For the Quarters	
	May 01 to July 31 1991	May 01 to July 31 1990
REVENUES		
Sales	$ 64,337	$ 90,874
Interest and other income	641	
Total revenues	$ 64,978	$ 90,874
COSTS AND EXPENSES		
Cost of sales	61,938	113,464
Selling, general and administrative expenses	40,606	70,866
Total costs and expenses	$ 102,544	$ 184,330
NET LOSS	(37,566)	(93,456)
Deficit accumulated during development stage, beginning of period	(407,598)	(304,287)
DEFICIT ACCUMULATED DURING DEVELOPMENT STAGE, END OF PERIOD	(445,164)	(397,743)
Loss per share	.0014	.0034
Number of Shares Outstanding for the Period	27,260,188	27,829,250

See Notes to Financial Statements

INNOVATIVE TECH SYSTEMS, INC.
A DEVELOPMENT STAGE COMPANY
STATEMENT OF STOCKHOLDERS" EQUITY
FROM MAY 2, 1986 (INCEPTION) TO July 31, 1991

	COMMON STOCK		ADDITIONAL PAID IN CAPITAL
	SHARES	AMOUNT	
May 2, 1986 Issuance of common stock to investors in consideration for assumption of the Company's obligations to the original corporate attorneys	8,900,000	$ 890	$ -
September 29, 1987 Issuance of common stock to various investors	15,300,000	1,530	38,470
Balance - January 31, 1988	24,200,000	2,420	38,470
Initial Public Offering	4,000,000	400	127,060
Balance - January 31, 1989	28,200,000	2,820	165,530
February 28, 1989 Stock dividend of one share of preferred stock for every 100 shares of common stock. (282,000 shares of preferred stock issued @ $.0001 par value.)	-	-	(28)
January 8, 1990 Reverse stock split 10:1 par value changed from $.0001 to $.001	(25,380,000)	-	-
Issuance of common stock to acquire assets (Note 3)	22,750,000	22,750	178,408
Balance, January 31, 1990	25,570,000	25,570	343,910
February 7, 1990 Issuance of Common Stock to Acquire Assets(Note 3)	1,500,000	1,500	83,820
May 3, 1990 Issuance of Common Stock for services performed	225,000	225	(225)
June 26, 1990 Issuance of Common Stock	155,500	155.50	67,344.50
Subtotal	27,450,500	$27,450.50	$494,849.50

INNOVATIVE TECH SYSTEMS, INC.
A DEVELOPMENT STAGE COMPANY
STATEMENT OF STOCKHOLDERS' EQUITY
FROM MAY 2, 1986 (INCEPTION) TO July 31, 1991

	COMMON STOCK		ADDITIONA
	SHARES	AMOUNT	PAID-IN CAPITAL
Balance carry forward	27,450,500	$27,450.50	$494,894.5
July 16, 1990 Issuance of Common Stock for Services Performed	250,000	250	-
July 19, 1990 Issuance of Common Stock to investors	128,750	128.75	50,486.25
August 08, 1990 Issuance of Common Stock to investors	136,250	136.25	49,248.75
October 03, 1990 Issuance of Common Stock to investors	90,750	90.75	39,909.25
January 31, 1991 Issuance of Common Stock to investors	101,250	101.25	9,898.75
January 31, 1991 Repurchase of Common Stock	(274,182)	(274.81)	(9,725.19)
February 7, 1991 Retirement of Common Stock	(622,500)	(622.50)	622.50
Balance - July 31, 1991	27,260,188	$27,260.19	$635,289.81

INNOVATIVE TECH SYSTEMS, INC.
(A DEVELOPMENT STAGE COMPANY
STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents

	For the six months ended		Period f May 2, 1 (Incepti to July 1991
	July 31,1991	July 31,1990	
Cash Flows From Operating Activities:			
Net Loss	(48,893)	(206,702)	(445,16
Adjustments to Reconcile Net Loss to Net Cash provided by Operating Activities:			
Depreciation and Amortization	17,410	62,225	42,21
Loss on Disposal of Fixed Assets			17,32
Change in Operating Assets & Liabilities:			
(Increase) Decrease in Accounts Receivable	9,175	(63,951)	(55,99
Decrease in Note Receivable		129,269	--
(Increase) Decrease in other current assets	2,176		(2,50
Increase in accounts payable	19,391	112,507	77,20
Increase (Decrease) in accrued expenses	(387)		3,021
Increase in sales tax payable	7,806		7,806
Increase (Decrease) in accrued payroll and payroll taxes	(4,650)		5,882
Increase in Advances-Officers			(16,218
Increase in Organizational Costs			(890
Net cash provided by operating activities	2,028	33,348	(367,308
Cash Flows from Investing Activities:			
Purchase of Computer Software		(850,000)	(116,638
Purchase of Property and Equipment	(4,872)	(22,151)	(55,984
Net cash used in investing activities	(4,872)	(872,151)	(172,622
Cash Flows from Financing Activities:			
Issuance of Common Stock		868,365	587,230
Issuance of Preferred Stock			28
Acquisition of Common Stock			(10,000
Net cash provided by financing activities		868,365	577,258
Net Increase (Decrease) in Cash	(2,844)	29,562	37,328
Cash beginning of period	40,172	9,933	
CASH, END OF PERIOD	37,328	39,495	

See Notes to Financial Statements

INNOVATIVE TECH SYSTEMS, INC.
A DEVELOPMENT STAGE COMPANY
STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Schedule of Noncash Financing Activities:

On February 7, 1990, the Company acquired from Micro-Vector, Inc. all copyrights, contracts and source codes for various computer software products for cash of 25,000, a note in the amount of 75,000 and delivery of 1,500,000 shares of authorized but non issued, non registered common stock to an independent escrow agent. (see note 3)

On February 7, 1991, the Company acquired from the original group of investors 622,500 shares of the Company's stock in exchange for the Company to assist in finding investors to purchase their stock. (see note 7)

INNOVATIVE TECH SYSTEMS, INC.
A DEVELOPMENT STAGE COMPANY
NOTES TO FINANCIAL STATEMENTS
July 31, 1991

1. In the opinion of management, all adjustments necessary for a full presentation of such financial statements have been included. Such adjustments consisted of normal recurring items. Interim results are not necessarily indicative of results for a full year.

The financial statements and notes are presented as permitted by Form 10-Q and do not contain certain information included in the Company's annual financial statements and notes.

2. INCOME TAXES:

There is no provision for federal and state income taxes because of the current year's net operating loss. The Company has available net operating loss carry forwards of approximately $249,650 which begin to expire in the year ending January 31, 2004.

3. ACQUISITION OF ASSETS:

On January 8, 1990 the stockholder approved the purchase of assets of Innovative Tech Systems, Inc. The acquisition was executed on January 31, 1990. The Company received the following assets in exchange for 22,750,000 shares of restricted common stock:

Cash	$ 30,000
Computer Equipment	21,158
Promissory Note	150,000
	$201,158

On February 7, 1990, the Company acquired from Micro-Vector, Inc. all copyrights, contracts and source codes for various computer software products for a combination of cash, promissory note and common stock. The promissory note was paid in full October 31, 1990. The common stock to be provided as follows:

> Buyer shall deliver within ninety one (91) days following the execution of the agreement, to an independent escrow agent acceptable to all parties, one million five hundred thousand (1,500,000) shares of the authorized but non-issued, non-registered common stock of buyer in connection with buyer's contemplated registration of buyer's common stock. The buyer agrees within thirty (30) days of the signing of the agreement to initiate a stock registration with the Security Exchange Commission ("SEC") and to register one-half of the shares held in escrow (seven hundred fifty thousand (750,000) shares of common stock) with the SEC, as part of a "piggyback registration" in connection with the buyer's registration of additional shares of its common stock.
>
> The escrow agent shall be instructed, in a written escrow agreement, to sell some or all of the registered, unregistered stock over a two year period of time, beginning with the signing of the agreement.

3. ACQUISITION OF ASSETS: (Continued)

The escrow agent shall sell such stock over the two year period on the account of the seller, until such time as the seller received a maximum total gross proceeds of seven hundred fifty thousand dollars ($750,000) upon the attainment of this event, then any shares (registered or unregistered) remaining in escrow shall be returned unsold to the buyer as treasury stock.

Seller shall bear all risk of market loss. In the event that the total amount of money derived from the sale of the registered stock held in escrow is less than seven hundred fifty thousand dollars ($750,000), then the parties agree to register with the SEC the remaining seven hundred fifty thousand (750,000) shares of stock held in escrow and to instruct the escrow agent to sell until such time as the $750,000, then the seller shall accept such dollar amount from the sale of the stock as payment in full without further recourse from the buyer.

Consideration for the Micro-Vector products:

Cash	$ 25,000
Promissory note	75,000
Common stock	85,320
	$185,320

4. PROPERTY AND EQUIPMENT:

Property and equipment are comprised of the following:

	July 31 1991	January 31 1991
Office equipment	$ 4,287	$ 1,865
Furniture and fixtures	30,428	27,978
	34,715	29,843
Less accumulated depreciation	6,680	3,696
NET TOTALS	$28,035	$26,147

5. *COMMITMENT:*

On March 8, 1991, the Company entered into an agreement with Micro-Vector, Inc. to purchase 875,188 unregistered shares of Innovative Tech Systems, Inc. common stock for $55,000 to be paid in two equal payments due on or before July 31, 1991 and January 31, 1992. As of July no payment to Micro-Vector was made and no stock was purchased. The company still anticipates purchasing this stock at a later date.

INNOVATIVE TECH SYSTEMS, INC.
A DEVELOPMENT STAGE COMPANY
NOTES TO FINANCIAL STATEMENTS
July 31, 1991

6. STOCK WARRANTS:

On February 10, 1988 four classes of stock warrants were issued:

800,000 Class A warrants each exercisable at $1.50 for 1 share o
common stock

400,000 Class B warrants each exercisable at $3.00 for 1 share o
common stock

400,000 Class C warrants each exercisable at $5.00 for 1 share o
common stock

200,000 Class D warrants each exercisable at $10.00 for 1 share o
common stock

7. RETIREMENT OF SHARES:

On February 7, 1991 the Company negotiated the retirement o 622,500 shares of its common stock from an original group of investors The original group of investors wished to liquidate their stock in th Company. The Company assisted in finding an investor that would purchas the stock. In consideration for the Company's help in locating a buyer, the original group of investors agreed to give half of their shares bac to the Company (622,500 shares). There was no monetary consideratio given for the shares of the Company.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

As of July 31, 1991, the Company maintained a balance of $ 35,328 in cash compared to $ 40,172 as of January 31, 1991, which represents a decrease of cash of $ 4,844. The Company had receivables outstanding of $55,990 compared to $ 65,165 at January 31, 1991. Accounts payable at July 31, 1991 also increased from $ 57,809 at year end to $ 85,006.

Results of Operations

Sales for the quarter were down $ 26,537 compared to last year but were up cumulatively. Cost of sales was also down compared to last year due to the lower sales volume. Net loss for the quarter compared to last year was lower because of decreased amortization expense and decreasing overhead expenditures.

Overall for the six months compared to last year, sales were up $ 82,080, total net loss was down $ 157,809 due to the increased sales volume and lower overhead costs and less software amortization.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits required by Item 601 of Regulation S-K.

None.

(b) No reports on form 8-K were filed by the Company for quarter ending April 30, 1991 and up to the date of this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INNOVATIVE TECH SYSTEMS, INC.
(Registrant)

Dated: July 13, 1992

Innovative Tech Systems, Inc.

John M Thompson

By: John M. Thompson
John M. Thompson, Chief Financial Officer

92 18 7520

FORM 10-Q - QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

0 5248
Q-34950

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

RECD S.E.C
JUL 14 1992
137

[x] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the period ended May 31, 1992

K92-2229

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ______________ to ______________

Commission File Number: 0-2384

INTERNATIONAL SPEEDWAY CORPORATION
(Exact name of registrant as specified in its charter)

FLORIDA
(State or other jurisdiction of incorporation or organization)

59-0709342
(I.R.S. Employer Identification No.)

1801 VOLUSIA AVENUE, DAYTONA BEACH, FL 32114-1243
(Address of principal executive offices) (Zip Code)

904 - 254-2700
(Registrant's telephone number, including area code)

____
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [ ]

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15 (d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes [ ] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

At July 6, 1992, 2,287,525 shares of common stock, $.10 par value per share were outstanding.

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Part I. Financial Information

Item 1. Financial Statements

International Speedway Corporation

Condensed Consolidated Balance Sheets

	May 31, 1992 (Unaudited)	August 31, 1991
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 3,646	$ 3,680
Short-term investments	22,697	16,217
Receivables, less allowances of $28 ($55 at August 31)	1,982	1,312
Inventories	521	304
Prepaid expenses and other current assets	615	1,324
Total current assets	29,461	22,837
Property and equipment - at cost - less accumulated depreciation of $20,926 ($19,009 at August 31)	35,288	31.726
Other assets:		
Cash surrender value of life insurance *(Note 6)*	1,371	1,294
Long-term investments	1,605	2,158
Other	288	302
	3,264	3,754
Total assets	$ 68,013	$ 58,317

	May 31, 1992 (Unaudited)	August 31, 1991
	(In Thousands)	
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 863	$ 750
Deferred income	14,561	11,330
Current portion of long-term debt	1,600	1,600
Income taxes payable	861	481
Other current liabilities	1,415	911
Total current liabilities	19,300	15,072
Long-term debt, less current portion *(Note 5)*	2,300	5,100
Deferred income taxes	5,632	5,092
Shareholders' equity:		
Common stock, $.10 par value:		
Authorized shares - 5,000,000		
Issued - 3,497,045	350	350
Capital in excess of par value	1,104	1,104
Retained earnings	44,926	37,198
	46,380	38,652
Less treasury stock - at cost, 1,209,520 shares	5,599	5,599
Total shareholders' equity	40,781	33,053
Total liabilities and shareholders' equity	$ 68,013	$ 58,317

International Speedway Corporation

Condensed Consolidated Statements of Income

	For the Three Months Ended		For the Nine Months Ended	
	May 31, 1992 (Unaudited)	May 31, 1991 (Unaudited)	May 31, 1992 (Unaudited)	May 31, 1991 (Unaudited)
	(In Thousands, Except for Per Share Amounts)			
Revenues:				
Admissions, net	$ 6,650	$ 6,108	$ 22,108	$ 20,060
Other related income	5,495	4,287	16,878	15,263
Interest income	234	305	651	912
Total revenues	12,379	10,700	39,637	36,235
Expenses:				
Direct race expenses:				
Prize and point fund monies and NASCAR sanction fees	1,533	1,368	5,587	5,243
Other direct race expenses	2,533	2,664	5,668	5,811
	4,066	4,032	11,255	11,054
Promotion, general and administrative expenses	2,695	2,468	7,738	7,052
Other related expenses	1,929	1,359	4,321	3,438
Depreciation	687	586	1,923	1,687
Interest expense	80	165	313	298
Total expenses	9,457	8,610	25,550	23,529
Income before income taxes	2,922	2,090	14,087	12,706
Income tax expense	1,163	913	5,444	4,899
Net income	$ 1,759	$ 1,177	$ 8,643	$ 7,807
Earnings per Share *(Note 2)*	$ .77	$ .51	$ 3.78	$ 3.14
Dividends per Share	$ .40	$ .30	$ .40	$ .30

See accompanying notes and accountants' review report.

International Speedway Corporation

Condensed Consolidated Statements of Shareholders' Equity

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Total
			(In Thousands)		
Balance at August 31, 1990	$ 394	$ 1,243	$ 44,423	$ (5,599)	$ 40,461
Activity 9/1/90-5/31/91:					
Net income - Unaudited	–	–	7,807	–	7,807
Cash dividends	–	–	(686)	–	(686)
Acquisition of previously issued stock - Unaudited	(44)	(139)	(16,826)	–	(17,009)
Balance at May 31, 1991 - Unaudited	350	1,104	34,718	(5,599)	30,573
Activity 6/1/91-8/31/91:					
Net income - Unaudited	–	–	2,480	–	2,480
Balance at August 31, 1991	**350**	**1,104**	**37,198**	**(5,599)**	**33,053**
Activity 9/1/91-5/31/92:					
Net income - Unaudited	–	–	8,643	–	8,643
Dividends declared	–	–	(915)	–	(915)
Balance at May 31, 1992 - Unaudited	$ 350	$ 1,104	$ 44,926	$ (5,599)	$ 40,781

International Speedway Corporation

Condensed Consolidated Statements of Cash Flows

	Nine months ended	
	May 31, 1992 (Unaudited)	May 31, 1991 (Unaudited)
	(In Thousands)	
Operating activities		
Net income	$ 8,643	$ 7,807
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,923	1,687
Undistributed loss of affiliate	553	400
Gain on disposition of property and equipment	–	(500)
Changes in operating assets and liabilities:		
Receivables	(670)	(393)
Inventories	(217)	37
Prepaid expenses and other current assets	709	1,006
Cash surrender value of life insurance	(77)	(110)
Other assets	8	86
Accounts payable	113	(553)
Deferred income	3,231	2,242
Income taxes payable	380	980
Deferred income taxes	540	490
Other current liabilities	(411)	(67)
Net cash provided by operating activities	14,725	13,112
Investing activities		
Acquisition of investments	(54,128)	(38,571)
Proceeds from sales and maturities of investments	47,648	37,126
Capital expenditures	(5,481)	(3,789)
Proceeds from sale of assets	2	592
Net cash used in investing activities	(11,959)	(4,642)
Financing activities		
Payments of long-term debt	(2,800)	(1,300)
Cash paid for acquisition of previously issued common stock	–	(9,009)
Cash dividends paid	–	(686)
Net cash used in financing activities	(2,800)	(10,995)
Net decrease in cash and cash equivalents	(34)	(2,525)
Cash and cash equivalents at beginning of period	3,680	4,419
Cash and cash equivalents at end of period	$ 3,646	$ 1,894

International Speedway Corporation

Notes to Condensed Consolidated Financial Statements

May 31, 1992 and August 31, 1991

(Unaudited - See Accountants' Review Report)

1. Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in compliance with Rule 10-01 of Regulation S-X and generally accepted accounting principles but do not include all of the information and footnotes required for complete financial statements. The statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's latest annual report on Form 10-K. The statements have been reviewed by the Company's independent accountants. In management's opinion, the statements include all adjustments which are necessary for a fair presentation of the results for the interim periods. All such adjustments are of a normal recurring nature. Certain reclassifications have been made to conform to the financial presentation adopted at May 31, 1992.

Because of the seasonal concentration of racing events, the results of operations for the three-month and nine-month periods ended May 31, 1992 and 1991 are not indicative of the results to be expected for the year.

2. Earnings Per Share

Earnings per share have been computed on the weighted average total number of common shares outstanding during the respective periods. Weighted average shares outstanding for the three-month and nine-month periods ended May 31, 1992 were 2,287,525. Weighted average shares outstanding for the three-month and nine-month periods ended May 31, 1991 were 2,287,525 and 2,479,821, respectively.

3. Related Party Disclosures and Transactions

All of the racing events that take place during the Company's fiscal year are sanctioned by various racing organizations such as the Sports Car Club of America (SCCA), Automobile Racing Club of America (ARCA), American Motorcycle Association (AMA), International Motor Sports Association (IMSA), World Karting Association (WKA), Fédération Internationale de l'Automobile (FIA), Fédération Internationale Motorcycliste (FIM), and the National Association for Stock Car Auto Racing, Inc. (NASCAR). NASCAR, which sanctions some of the Company's principal racing events, is a member of the France Family Group which controls in excess of 60% of the outstanding stock of the Company and some of whom serve as directors and officers. Standard NASCAR sanction agreements require racetrack operators to pay sanction fees and prize and point fund monies for each sanctioned event conducted. The prize and point fund monies are distributed by NASCAR to participants in the events. Prize and point fund monies paid to NASCAR for disbursement to competitors totaled $4,807,877 and $1,341,476 for the nine-month and three-month periods ended May 31, 1992 and $4,489,469 and $1,178,927 for the nine-month and three-month periods ended May 31, 1991, respectively.

4. Supplemental Disclosures of Cash Flow Information

Cash paid for income taxes and interest for the nine months ended May 31, 1992 and 1991 are as follows:

	(Thousands of Dollars) 1992	1991
Income taxes paid	$ 4,524	$ 3,208
Interest paid	$ 546	$ 164

Noncash activities for the nine months ended May 31, 1992 and 1991:

The Company accrued $915,010 as of May 31, 1992 for dividends declared but unpaid as of that date.

A long-term debt obligation of $8,000,000 was incurred in December 1990 to partially finance the acquisition of 371,667 shares of the Company's common stock for a total price of $14,123,346, as more fully described in Note 5.

5. Long-Term Debt

On December 26, 1990, the Company reacquired 371,667 shares of its common stock for the sum of $14,123,346. The payment of the purchase price was made $6,123,346 in cash and $8,000,000 by a promissory note payable over 5 years with interest on the unpaid balance at the annual rate of 9.5%. The note requires semiannual principal payments of $800,000 plus accrued interest (due March 15 and September 15). The Company may elect to accelerate the payment of principal without penalty. The note is secured by a pledge of 371,667 shares of common stock held as treasury stock prior to the transaction. The Company reached an agreement with no additional monetary consideration that reduced the interest rate to 7.75% effective November 1, 1991. The Company paid the third installment, including accrued interest, plus an additional principal payment of $700,000 on March 13, 1992.

6. Subsequent Event

The Company's founder and retired Chairman of the Board, William H.G. France, passed away on June 7, 1992. Subsequently, the Company received life insurance proceeds totaling approximately $1,026,000. The cash surrender value of this policy recognized under other assets at May 31, 1992 was approximately $1 million.

ERNST & YOUNG

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220 South Ridgewood Avenue
Daytona Beach, Florida 32114

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Report of Independent Certified Public Accountants

The Board of Directors
International Speedway Corporation

We have made a review of the unaudited condensed consolidated balance sheet of International Speedway Corporation as of May 31, 1992, and the related condensed consolidated statements of income for the three-month and nine-month periods, and shareholders' equity and cash flows for the nine-month periods ended May 31, 1992 and 1991, in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet at August 31, 1991, and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended (not presented separately herein) and in our report dated October 21, 1991, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet at August 31, 1991, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

Ernst + Young

July 6, 1992

PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

LIQUIDITY

Management believes liquidity is necessary due to the inherent insurance and weather risks associated with production of large outdoor sporting and entertainment events. The trend during the past several years has been for the Company to have increasing liquidity. This trend has been due to a general increase in interest in motor sports, reflected in increased live and broadcast audiences, and generally favorable weather conditions for the events conducted at the Company's facilities.

The Company's position in cash and cash equivalents and short-term investments at May 31, 1992 increased from August 31, 1991 primarily as a result of increased cash flows from operations resulting from a concentration of major events in the second and third quarters of its fiscal year, offset in part by the use of cash for the September and March installment payments on the note payable (more fully described below) and payments made for capital improvements.

The Company's working capital at May 31, 1992 also increased from August 31, 1991 due primarily to increases in cash and cash equivalents and short-term investments described above, as well as an increase in accounts receivable resulting from the seasonal fluctuations in the Company's business and an increase in inventories resulting from the opening of a retail gift shop in Daytona. These working capital increases were offset in part by the use of cash to pay the additional principal installments on the note payable and to finance capital improvements, an increase in deferred income resulting from advance ticket sales, an increase in income taxes payable as a result of increased income from operations, and an increase in other current liabilities which is due to dividends declared but unpaid as of May 31, 1992 and is offset by reductions in accrued interest related to the note payable and accrued payroll. The reduction in prepaid expenses due to the recognition of expenses related to the September 1991 Darlington event also partially offset the increase in working capital.

On December 26, 1990, the Company paid approximately $6.1 million in cash and signed a five year, 9.5% promissory note in the amount of $8 million for the purchase of 371,667 shares of its previously issued common stock. The note requires semiannual principal payments (March 15 and September 15) of $800,000 plus accrued interest. The Company may elect to accelerate the payment of principal without penalty. The note is secured by a pledge of 371,667 shares of common stock held as treasury stock prior to this transaction. The Company reached an agreement with no additional monetary consideration that reduced the interest rate to 7.75% effective November 1, 1991. The Company paid the third installment plus an additional principal payment of $700,000 on March 13, 1992. The minimum required working capital to service this obligation for the next twelve months, through May 1993, is approximately $1.9 million.

The Company intends to continue to maintain the policy of investing excess cash in short-term certificates of deposit, repurchase agreements and other short-term investments. This provides the Company with a readily accessible source of cash to cover the expenses arising from a delay, postponement or cancellation of an event due to poor weather conditions or other contingencies.

The Company's founder and retired Chairman of the Board, William H.G. France, passed away on June 7, 1992. Subsequently, the Company received life insurance proceeds totaling approximately $1,026,000. As a result, the cash surrender value of life insurance recognized under other assets as of May 31, 1992 will decrease in future periods by approximately $1 million.

Management believes that the Company has the ability to generate adequate amounts of cash to meet the Company's operational and debt service needs on both a long- and short-term basis.

CAPITAL RESOURCES

The Company continues to invest capital in the improvement and expansion of its aging facilities. The Company's Board of Directors has approved projects with an estimated cost to complete of approximately $8.6 million. These projects consist primarily of additions and renovations to spectator capacity, spectator restrooms, paving, fencing, equipment and other spectator facilities. Management anticipates the completion of these projects within the next 24 months based on the availability of working capital resources.

These additions to assets and capital transactions have been financed primarily from funds provided by operations. Based on the Company's current liquidity, cash and investment positions, as well as the Company's unused lines of credit of approximately $14 million, management believes that its present capital resources are sufficient to meet anticipated financing requirements for the next twelve months.

Long-term investments decreased from August 31, 1991 as a result of the recognition of the Company's 50% share of the current loss from operations at Watkins Glen International. The Company uses the equity method to account for the investment in Watkins Glen. Due to the seasonal concentration of Watkins Glen's events during the summer months, the results at May 31, 1992 are not indicative of the results to be expected for the year.

INCOME TAXES

Income taxes payable at May 31, 1992 have increased since August 31, 1991 due to the seasonal nature of the Company's business and the timing of estimated tax deposits.

The deferred income tax liability increased from August 31, 1991 primarily as a result of differences between financial and tax accounting treatments relating to depreciation expense.

All income tax amounts and balances have been computed in accordance with APB Opinion No. 11, "Accounting for Income Taxes." In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." The Company will be required to comply with the new rules by fiscal year 1994. Under this standard, a liability approach to deferred tax accounting will be adopted. Entities such as the Company that have large net deferred tax credits under their present accounting method are generally expected to see those amounts reduced because of the decrease in federal statutory tax rates. The Company has not completed all of the complex analyses required to estimate the impact of the new statement, and it has not decided whether it will implement the statement early or restate any periods. However, the adoption of Statement 109 is not expected to have an adverse impact on the Company's financial position.

INFLATION

Management does not believe that inflation has had a material impact on operating costs and earnings of the Company. The Company has demonstrated the ability to appropriately adjust admission prices in reaction to changing costs and has aggressively pursued an ongoing cost improvement effort.

RESULTS OF OPERATIONS

REVENUES

Admission income increased during the three months and nine months ended May 31, 1992, as compared to the three months and nine months ended May 31, 1991, primarily as a result of increases in certain ticket prices and increases in attendance due in part to more favorable weather conditions at the Daytona events conducted during February 1992 and the Talladega events conducted during May 1992. The nine month increase in admissions income was offset in part by the timing of the Gatorade 200 held at Darlington Raceway during the 1991 Labor Day weekend. In fiscal 1991, Darlington Raceway held the Gatorade 200 on September 1, 1990 and August 31, 1991. Accordingly, a Gatorade 200 was not held in the nine months ended May 31, 1992. In addition, the increases in the nine and three month periods were offset in part by reduced March 1992 Daytona Motorcycle event revenue due to inclement weather.

Other related income increased for the nine months ended May 31, 1992, as compared to the nine months ended May 31, 1991, primarily as a result of increased merchandise sales from the new retail gift shop in Daytona, advertising fees, broadcast rights fees and increased rentals of the Company's hospitality facilities. These increases were offset in part by the nonrecurring sale of land in Daytona in the second quarter of fiscal 1991, the payment made to the Company by the lessor of the Daytona facility in the first quarter of fiscal 1991, and the Company's share of Watkins Glen International's loss, as described above. Other related income increased for the corresponding three month periods ended May 31 primarily as a result of souvenir and merchandise sales, advertising fees, concessions income, and increased rentals of the Company's hospitality facilities.

Interest income decreased during the nine months ended May 31, 1992 primarily due to lower interest rates and lower average investment balances resulting from the use of proceeds of investments to finance capital improvements and the payments on the long-term note, as discussed above.

EXPENSES

Prize and point fund monies and NASCAR sanction fees increased during the three months and nine months ended May 31, 1992 as compared to May 31, 1991 primarily as a result of increased prize monies distributed by NASCAR to participants in events. The increase for the nine month period was offset in part by the timing of the Gatorade 200, as discussed above.

Promotion, general and administrative expenses increased for the nine months ended May 31, 1992 primarily as a result of increased personnel and payroll costs, and increases in utilities, donations, and maintenance and repairs. An increase was also experienced during the corresponding three month periods ended May 31 primarily as a result of increased personnel and payroll costs, and increases in maintenance and repairs, travel costs, and credit card fees relating to increases in advance ticket sales.

Other related expenses increased during the three months and nine months ended May 31, 1992 primarily due to increased payroll and personnel costs and increased costs of merchandise sales at the Daytona retail gift shop. Other related expenses also increased during the three month period ended May 31, 1992 due to increased broadcast distribution expenses, and was offset in part by a reduction in bad debt expense.

Interest expense decreased during the three months ended May 31, 1992 as compared to the three months ended May 31, 1991 due to lower principal balances on the note payable and the decrease in the interest rate, as previously discussed. Because the debt was assumed in the second quarter of fiscal 1991, interest expense for the nine months ended May 31, 1992 was higher than May 31, 1991, despite the fact that the interest rate and average principal balance outstanding during 1992 were lower than in 1991.

Because of the seasonal concentration of racing events, the results of operations for the three months and nine months ended May 31, 1992 and May 31, 1991 are not indicative of the results to be expected for the year.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K (17 CFR 249.308)

No reports on Form 8-K were filed during the quarter for which this report is filed.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INTERNATIONAL SPEEDWAY CORPORATION
(Registrant)

Date 7/9/92

H L Combs
Harry Lee Combs, CPA, Vice President
and Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

L92-2229

For Quarter Ended June 30, 1992   Commission File Number 2-98651

Kingfisher Bancorp, Inc.
(Exact name or registrant as specified in its Charter)

OKLAHOMA
(State or other jurisdiction of incorporation or organization)

73-1247579
(I.R.S. Employer Identification No.)

P.O. Box 419
124 South Main Street
Kingfisher, Oklahoma
(Address of principal executive officers)

73750
(Zip Code)

Registrant's telephone number, including area code (405) 375-3121

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__   No ______

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at June 30, 1992
Common Stock, $1 par value	69,093

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KINGFISHER BANCORP, INC. AND SUBSIDIARY

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KINGFISHER BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	1992	1991	1992	1991
INTEREST INCOME:				
Interest and fees on loans	$ 1,068,364	$ 1,081,224	$ 2,142,092	$ 2,228,572
Investment securities:				
United States government	468,869	377,845	912,155	687,770
State and political subdivisions	133,464	162,614	276,986	321,730
Federal funds sold	60,900	146,709	124,522	304,066
Total interest income	1,731,597	1,768,392	3,455,755	3,542,138
INTEREST EXPENSE:				
Savings and other time deposits	813,953	1,079,087	1,683,888	2,120,621
Other short-term borrowings	1,967	5,743	4,919	14,824
Long-term debt	8,341	-	10,106	-
Total interest expense	824,261	1,084,830	1,698,913	2,135,445
NET INTEREST INCOME	907,336	683,562	1,756,842	1,406,693
PROVISION FOR POSSIBLE LOAN LOSSES	60,000	60,000	120,000	120,000
NET INTEREST INCOME, after provision for possible loan losses	847,336	623,562	1,636,842	1,286,693
OTHER INCOME:				
Service charges on deposit accounts	32,552	22,939	64,746	46,071
Exchange charges	52,670	36,674	100,132	80,742
Other	15,653	5,874	21,702	14,262
Total other income	100,875	65,487	186,580	141,075
OTHER EXPENSES:				
Salaries and employee benefits	206,506	193,398	414,237	398,403
Occupancy	8,194	9,463	17,701	16,741
Depreciation and amortization	16,600	14,600	31,600	30,047
Other	194,846	175,818	448,099	399,736
Total other expenses	426,146	393,279	911,637	844,927
INCOME BEFORE INCOME TAXES	522,065	295,770	911,785	582,841
INCOME TAX PROVISION	64,000	26,475	116,000	93,475
NET INCOME	$ 458,065	$ 269,295	$ 795,785	$ 489,366
NET INCOME PER SHARE	$ 5.94	$ 3.27	$ 10.20	$ 5.94

KINGFISHER BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	June 30, 1992	December 31, 1991
ASSETS:		
Cash and due from banks	$ 3,988,853	$ 1,649,425
Federal funds sold	8,600,000	3,950,000
Investment securities:		
U.S. government securities and government agencies	24,240,058	22,596,203
States and political subdivisions	6,682,337	7,040,607
Total investment securities	30,922,395	29,636,810
Loans, net of unearned income	39,860,349	44,082,651
Less allowance for possible loan losses	(709,000)	(695,000)
Net loans	39,151,349	43,387,651
Owned real estate		735,426
Bank premises and equipment, net	348,101	333,521
Accrued interest and other assets	1,853,570	1,545,260
TOTAL	$ 84,864,268	$ 81,238,093
LIABILITIES AND EQUITY:		
Deposits:		
Demand	6,591,594	$ 5,991,165
NOW accounts	8,725,402	8,040,754
Savings and time deposits	59,803,461	58,061,159
	75,120,457	72,093,078
Other short-term borrowings	427,830	209,633
Long-term debt	604,310	-
Accrued interest and other liabilities	308,048	323,248
Total liabilities	76,460,645	72,625,959
Stockholders' Equity:		
Common stock, par value $1 per share, 240,000 shares authorized; 120,000 shares issued	120,000	120,000
Additional paid-in capital	2,360,000	2,360,000
Retained earnings	9,158,495	8,509,386
	11,638,495	10,989,386
Less treasury shares, (69,093 and 39,949)	(3,234,872)	(2,377,252)
Total stockholders' equity	8,403,623	8,612,134
TOTAL	$ 84,864,268	$ 81,238,093

KINGFISHER BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Six Months Ended June 30,	
	1992	1991
COMMON STOCK	$ 120,000	$ 120,000
ADDITIONAL PAID-IN CAPITAL	2,360,000	2,360,000
RETAINED EARNINGS:		
Balance at beginning of year	8,509,386	8,161,375
Cash dividends declared	(146,676)	(164,642)
Net income	795,785	489,366
	9,158,495	8,486,459
TREASURY SHARES:		
Balance, at beginning of year, at cost net of sales	(2,377,252)	(2,220,672)
Acquisition of 10,958 and 698 shares	(857,620)	(29,180)
	(3,234,872)	(2,249,852)
	$ 8,403,623	$ 8,716,607

KINGFISHER BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months Ended June 30,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 795,785	$ 489,366
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	120,000	120,000
Amortization of investment security premiums	16,800	6,407
Accretion of investment security premiums	(20,113)	(2,537)
Depreciation and amortization	31,600	30,047
Provision for deferred taxes	(31,749)	2,975
Other transactions, net	(3,951)	(559)
Changes in operating assets and liabilities:		
Increase in accrued interest receivable and other assets	(296,810)	(277,558)
Increase (decrease) in accrued interest payable and other liabilities	16,500	(75,569)
Net cash provided by operating activities	628,062	292,572
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease in loans	4,844,228	5,189,859
Proceeds from sales of investment securities	3,978,640	1,583,579
Purchase of investment securities	(5,260,912)	(12,983,262)
Purchase of premises and equipment	(46,180))	(54,778)
Net cash used by investing activities	3,515,776	(6,264,602)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in demand deposit and savings accounts	600,430	620,830
Net increase in time deposits	2,426,949	2,769,851
Increase in other borrowed funds	218,197	131,692
Increase in long-term debt	604,310	-
Payments to acquire treasury stock	(857,620)	(29,180)
Dividends paid	(146,676)	(164,642)
Net cash used by financing activities	2,845,590	3,328,551

(Continued)

KINGFISHER BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

	Six Months Ended June 30,	
	1992	1991
INCREASE IN CASH AND CASH EQUIVALENTS	$ 6,989,428	$(2,643,479)
CASH AND CASH EQUIVALENTS:		
Beginning of the period	5,599,425	13,717,151
End of the period	$12,588,853	$11,073,672
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 1,776,063	$ 2,208,963
Cash paid during the period for income taxes	$ 162,847	$ 155,000
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING ACTIVITIES:		
Loans transferred to owned real estate	$ 993,772	$ -
In-substance foreclosure owned real estate transferred to loans	$ 817,508	$ -

KINGFISHER BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 1992

1. The consolidated financial statements include the accounts of Kingfisher Bancorp, Inc. (the Company) and Kingfisher Bank and Trust Co. (the Bank) after elimination of all material intercompany accounts and transactions.

2. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report dated January 24, 1992.

3. Net income per share is computed on the basis of weighted average number of common shares outstanding during the periods as restated.

4. The financial statements include all adjustments necessary to fairly present the results of operations for the periods presented. All such adjustments are of a normal receiving nature.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Net income for the three months ended June 30, 1992 was $458,065 as compared to $269,295 for the same period in 1991.

Net income for the six months ended June 30, 1992 was $795,785, a 62.62% increase from the $489,366 recorded for the six months ended June 30, 1991. This increase was primarily the result of interest expense decreasing at a faster rate than the decrease in interest income.

NET INTEREST INCOME

Net interest income is affected by the volume of earning assets, the interest rate earned on those assets, the volume of interest bearing liabilities and the rates paid on those liabilities.

Net interest income for the three months ended June 30, 1992, was $847,336 as compared to $623,562 for the same period last year. Net interest income for the six month period ending June 30, 1992 and June 30, 1991 was $1,636,842 and $1,286,693, respectively. These three month and six month increases can be attributed to a decrease in interest expense due to falling interest rates.

The net interest spread is the difference between the rate earned on earning assets and the rate paid on interest bearing liabilities. The net interest spread at June 30, 1992 was 4.31% as compared to 3.57% at June 30, 1991.

LOAN QUALITY

The allowance for possible loan losses as a percent of loans was 1.78% at June 30, 1992, as compared to 1.58% at December 31, 1991. This increase is due to a 9.58% decrease in loans and managements decision to continue putting $20,000 per month to the reserve.

Management believes the demand for loans will begin increasing during the latter part of next quarter and on in to the last quarter of 1992 due to seasonal demand for livestock loans.

BALANCE SHEET COMPOSITION

The loan to deposit ratio was 53.06% at June 30, 1992 as compared to 61.15% at December 31, 1991. Decreased loan demand due to seasonal borrowing needs in the agricultural sector is the primary reason for this decline.

Management believes the loan to deposit ratio will begin increasing during the latter part of next quarter and on in to the last quarter of 1992 due to seasonal loan demand in the agricultural sector.

The capital to asset ratio at June 30, 1992 was 9.90% as compared to 10.60% at December 31, 1991.

LIQUIDITY

Liquidity can be defined as a financial institutions ability to meet possible deposit withdrawals, provide for the credit needs of its customers and take advantage of investment opportunities as they arise. Management considers the banks liquidity position or 40% adequate to meet these needs.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

KINGFISHER BANCORP, INC.

Date: July 14, 1992

President

Date: July 14, 1992

Linda Dick Randall

Treasurer

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

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OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

For Quarter Ended ______________ Commission file number 1-7694

MCorp
(Exact name of registrant as specified in its charter)

Delaware	75-1497763
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1717 Main Street, Suite 3100, Dallas, TX	75201
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) (214) 939-5800

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No_

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.
Yes N/A No N/A

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common stock, $5.00 par value at April 30, 1992: 42,571,597.

Page 1 of 22 sequentially numbered pages
Exhibit Index is on sequentially numbered page 21

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Financial Information
Item 1. Financial Statements

MCorp and Subsidiaries
Condensed Consolidated Statements of Operations

(dollars in thousands, except per share amounts)

	Three months ended March 31,	
	1992	1991
Interest income	$ 3,400	$ 6,947
Other income	2	164
Total income	3,402	7,111
Interest expense	203	-
Personnel expense	1,952	1,794
Net occupancy expense	41	46
Professional fees	4,240	1,988
Net realized losses, writedowns and expenses of investments and other assets held for sale	20	25
Other expense	1,127	363
Total expense	7,583	4,216
Net (loss) income	$ (4,181)	$ 2,895
Net (loss) income per common share *	$ (0.10)	$ 0.07

*Common stockholders may not receive a distribution from the bankruptcy estate of MCorp.

The accompanying notes are an integral part of the financial statements.

MCorp and Subsidiaries
Condensed Consolidated Balance Sheets

(dollars in thousands, except per share amounts)

	March 31, 1992	March 31, 1991	December 31, 1991
Assets:			
Cash and cash equivalents	$ 298,676	$ 37,916	$ 309,533
Marketable securities (market value of $281,175 at March 31, 1991)	-	275,998	-
Assets held for sale:			
Other investments	55,135	69,616	55,171
Land and other real estate owned	15,964	11,504	16,292
Loans and other	9,307	13,074	10,371
Other assets	15,174	23,816	14,929
	$ 394,256	$ 431,924	$ 406,296
Liabilities and stockholders' deficit			
Liabilities:			
Deferred gain on disposition of discontinued operations	$ -	$ 14,000	$ -
Accounts payable and accrued liabilities	39,027	27,174	46,886
Long-term debt	13,570	-	13,570
Liabilities deferred pursuant to Chapter 11 reorganization proceedings:			
Long-term debt	467,460	467,460	467,460
Other liabilities	53,877	53,877	53,877
Total liabilities	573,934	562,511	581,793
Stockholders' deficit:			
Preferred stock; $1.00 par value; 20,000,000 shares authorized; 959,920 shares issued; aggregate liquidation preference $225,672, $215,012 and $223,415 respectively	960	960	960
Common stock; $5.00 par value; 100,000,000 shares authorized; 42,790,257 issued	213,951	213,951	213,951
Capital surplus	596,957	596,957	596,957
Accumulated deficit	(987,687)	(938,596)	(983,506)
Treasury stock, at cost; 218,660 shares	(3,859)	(3,859)	(3,859)
Total stockholders' deficit	(179,678)	(130,587)	(175,497)
	$ 394,256	$ 431,924	$ 406,296

The accompanying notes are an integral part of the financial statements.

MCorp and Subsidiaries

Condensed Consolidated Statements of Stockholders' Deficit

(dollars in thousands)

	Preferred Stock		Common Stock		Capital Surplus		Accumulated Deficit		Treasury Stock		Total
Balance at January 1, 1991	$	960	$	213,951	$	596,957	$	(941,491)	$	(3,859)	$	(133,482)
Net income		-		-		-		2,895		-		2,895
Balance at March 31, 1991	$	960	$	213,951	$	596, 57	$	(938,595)	$	(3,859)	$	(130,587)
Balance at January 1, 1992	$	960	$	213,951	$	596,957	$	(983,506)	$	(3,859)	$	(175,497)
Net loss		-		-		-		(4,181)		-		(4,181)
Balance at March 31, 1992	$	960	$	213,951	$	596,957	$	(987,687)	$	(3,859)	$	(179,678)

Shares	Preferred Stock	Common Stock	Treasury Stock
January 1, 1991	959,920	42,790,257	218,660
March 31, 1991	959,920	42,790,257	218,660
January 1, 1992	959,920	42,790,257	218,660
March 31, 1992	959,920	42,790,257	218,660

The accompanying notes are an integral part of the financial statements.

MCorp and Subsidiaries
Condensed Consolidated Statements of Cash Flows

(dollars in thousands)

	Three months ended March 31,	
	1992	1991
Operating Activities:		
Net (loss) income	$ (4,181)	$ 2,895
Adjustments to reconcile net (loss) income		
to net cash provided (used) by operating activities:		
Net (gain) on sale, distribution and writedown of investments	(53)	-
Increase in interest receivable	(274)	(5,280)
Decrease in accounts receivable	410	1,335
(Decrease) increase in accounts payable and accrued liabilities	(7,859)	2,408
Other, net	(116)	3,892
Net cash provided (used) by continuing operating activities	(12,073)	5,250
Investing Activities:		
Collection of loans and other real estate, net	1,335	706
Cash disbursed in connection with sale of discontinued operations	-	(2,440)
Other, net	(119)	85
Net cash provided (used) by investing activities	1,216	(1,649)
Net (decrease) increase in Cash and Cash Equivalents	(10,857)	3,601
Cash and Cash Equivalents at Beginning of Period	309,533	34,315
Cash and Cash Equivalents at End of Period	$ 298,676	$ 37,916

The accompanying notes are an integral part of the financial statements.

Descriptions of the more significant accounting policies of MCorp (referred to in these notes as the "Parent Company" or "MCorp") and its subsidiaries (the Parent Company and its subsidiaries are referred to collectively in these notes as the "Company"), are presented throughout the notes to the consolidated financial statements.

The accounting policies of MCorp and its subsidiaries conform to generally accepted accounting principles.

The consolidated financial statements of the Company include the accounts of the Parent Company and its wholly-owned subsidiaries. Net assets of the banking subsidiaries were written off as of December 31, 1990. See Notes 2 and 3.

All significant intercompany balances and transactions have been eliminated in the consolidated financial statements except as disclosed in Note 5.

Subject to the foregoing, in the opinion of management, all adjustments, consisting only of normal recurring accruals, have been made that are necessary for a fair presentation of the financial position and the results of operations for the periods presented. Certain amounts in prior periods have been reclassified to conform to the current presentation.

Note 1 - Chapter 11 filing

MCorp and two of its subsidiaries, MCorp Financial, Inc. ("MFI") and MCorp Management, Inc. ("MCorp Management") (collectively, the "Debtors"), are currently the subject of voluntary cases under Chapter 11 of the United States Bankruptcy Code ("Chapter 11 Cases"). The filings of such cases by the three companies under Chapter 11 resulted from a series of events that transpired during 1988 and 1989, principally related to the losses from lending activities of the Company's MBanks and the actions of regulators. In late March 1989, after an involuntary petition had been filed against MCorp in the United States Bankruptcy Court for the Southern District of New York, the Office of the Comptroller of the Currency ("OCC") declared 20 of the Company's 25 MBank subsidiaries insolvent, closed those banks and appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver for the closed MBanks (collectively this event is referred to as the "seizure", the 20 banks declared insolvent are referred to as the "Closed Banks" and the five banks not declared insolvent are referred to as the "Remaining Banks"). During 1990 Corpus Christi National Bank (formerly MBank Corpus Christi) and Mercantile Bank, N.A. (formerly MBank Brownsville) were sold and in 1991 First National Bank of Central Texas (formerly MBank Waco) and State National Bank (formerly MBank El Paso) were sold. The Debtors are also evaluating various alternatives with respect to the disposition of Plaza Bank, N.A. (formerly MBank New Braunfels). See Note 3.

At March 31, 1992, recorded liabilities of MCorp exceeded its assets by $179.7 million. At April 30, 1992 MCorp did not meet capital guidelines established by the Federal Reserve Board for bank holding companies. At April 30, 1992 Plaza Bank, N.A. met capital guidelines established by the OCC but the bank is unable to pay any dividends to MFI without the prior approval of the OCC. On October 5, 1989 the United States Bankruptcy Court for the Southern District of Texas in Houston (the "Houston Bankruptcy Court") entered an order (the "First Downstreaming Order") permitting the Debtors to transfer, either by capital contribution or to satisfy obligations, a total of $15.7 million to the Remaining Banks. The transfer could be made in assets, cash or a combination of the two. Pursuant to the First Downstreaming Order, the Debtors contributed capital or satisfied obligations totaling $11.6 million by transferring assets to two of the Remaining Banks. On December 11, 1990 the Houston Bankruptcy Court authorized the Debtors to transfer cash or assets as capital contributions in an amount up to $13 million (the "Second Downstreaming Order") to one or more of the Remaining Banks. The Second Downstreaming Order was sought as an inducement to the FDIC to provide a waiver of any claim against the banks under the cross-guarantee provisions of Section 206(e) of the Financial Institution Reform, Recovery and Enforcement Act of 1989 ("FIRREA") which was required by the buyers of Corpus Christi National Bank and Mercantile Bank, N.A. Under the cross-guarantee provisions of FIRREA, the FDIC may assert claims against one or more of the Remaining Banks (but not against MCorp, MFI or MCorp Management) for losses the FDIC incurs or expects to incur in connection with any closing of, or the provision of assistance to, any other Remaining Bank. No such claims have been asserted by the FDIC. The Debtors agreed with the FDIC that upon the receipt from the FDIC of a waiver of liability under section 206(e) of FIRREA acceptable to the MBanks' buyers and the closing of the sales of the MBanks, MFI would make capital contributions to certain of the Remaining Banks. Pursuant to the Second Downstreaming Order, MCorp contributed $13 million in cash to two of the Remaining Banks. On May 9, 1991 the Houston Bankruptcy Court issued an order (the "Third Downstreaming Order") authorizing the debtors to transfer cash or assets to Plaza Bank, N.A. Pursuant to the Third Downstreaming Order, the Debtors contributed approximately $446 thousand in cash to Plaza Bank, N.A. in 1991 and $250 thousand in cash in the first quarter of 1992.

The Debtors filed their first proposed Chapter 11 Plan of Reorganization and Disclosure Statement on March 11, 1991. During the spring of 1991, after discussions with numerous unsecured creditors, the Debtors determined that certain modifications to this plan, including simplification of the structure and altering the sharing of distributable assets among the creditors, would enhance the prospects for consensual confirmation of an amended plan. Also, it appeared that the agreement reached with the creditors' committee regarding the original plan was no longer supported by a significant portion of the committee. Consequently, the Debtors filed their second proposed Plan of Reorganization and Disclosure Statement on June 7, 1991. Negotiations continued among the Debtors, the Committee and the unsecured creditors to amend the Plan so it would gain support of all creditors. The Debtors filed their third proposed Disclosure Statement and Plan ("the Plan") on September 11, 1991. The Houston Bankruptcy Court approved the third proposed Disclosure Statement on October 1, 1991.

Results of the Chapter 11 voting were that the equity class containing MCorp's Series A and Series B Money Market Cumulative Preferred Stock voted to reject the Plan. However, an overwhelming majority of the remaining creditors and equity holders of MCorp voted to accept the Plan. The Plan provided that if any equity class voted to reject the plan, no distributions would be made to that class or to any equity class junior to it. The most senior class of MCorp equity voted to reject the Plan.

On January 7, 1992 the Houston Bankruptcy Court denied confirmation of the Plan. The Houston District Court granted the Debtors' motion for expedited appeal but on April 24, 1992 the Houston District Court denied the Debtors' appeal for procedural reasons. The Debtor's are working with the creditors' committee to evaluate alternatives regarding an amended plan of reorganization. The Debtor's cannot accurately predict when another plan of reorganization will be submitted to the Houston Bankruptcy court or what its terms will be.

Although the Debtors believe that it is theoretically possible that all of their legitimate creditors may be paid in full, they do not believe that this result is likely.

Approximately 2,071 proofs of claim that aggregate approximately $4.1 billion have been filed against the Debtors. The Debtors have objected to approximately 1,982 of their proofs of claim that aggregate approximately $3.6 billion. Of these claims over $3.1 billion have been disallowed by the Houston Bankruptcy Court, withdrawn by the claimants, settled by the Debtors or litigated. The total undisputed claims against MCorp (including claims whether scheduled with the Houston Bankruptcy Court or filed as proofs of claim) are approximately $524 million; the total undisputed claims against MFI are approximately $491 million; and the total undisputed claims against MCorp Management are approximately $331 million. These undisputed claims include substantial amounts of claims for which two or more Debtors have joint liability, as well as inter-Debtor claims.

The claims resolved by litigation include the FDIC Claims, as amended on January 3, 1991, amended on March 8, 1991 and further amended on October 11, 1991, in the amount of approximately $262 million. On November 12, 1991 District Judge Lynn N. Hughes of the Houston District Court ruled that the FDIC had total claims against MCorp Management of approximately $1.8 million and claims against MCorp of $400 thousand. Judge Hughes also ruled against the FDIC on the counterclaim for federal taxes in the amount of $4.8 million in favor of MCorp and $9.7 million in favor of MCorp Management; thus, the potential claim of the FDIC in the amount of $2.2 million was completely offset. The Debtor's additional counterclaims against the FDIC have not yet been fully resolved for purposes other than voting on the Chapter 11 plans.

The Debtors have negotiated and, with approval from the Houston Bankruptcy Court, paid settlements of other claims and obligations, including (i) the $114 million claim of Electronic Data Systems Corporation for $20 million; (ii) the $671 million claims of landlords (other than Principal Mutual Life Insurance Company) for approximately $13.2 million; and (iii) the $2 million claim of AEtna Casualty & Surety Company for $800 thousand; and (iv) the $5 million claim of B. D. Click for $20 thousand. In addition, the Debtors have negotiated settlements of other claims, including (i) the $120 million claim of Commercial Real Estate Associates Inc. ("CREA") for $1.75 million; (ii) the $3 million claim of Shearson Lehman Hutton Inc. ("Shearson") for $1.4 million; (iii) the $207 thousand claim of Jerry Gates for $100,000; (iv) the $7 million claim of Lomas Financial Corporation ("Lomas") for $2.3 million and a stipulated offset of approximately $1.7 million against claims owing by Lomas to the Debtors; (v) the nearly $2 million claim of A. G. McNeese for $110 thousand; and (vi) the $189 thousand claim of Winstead, McGuire, Sechrest & Minnick ("Winstead") for $10 thousand. In addition, the claim of Flynn Energy Corporation of $50 million has been reduced to a maximum of $1.7 million through mediation and the claim of 500 North Shoreline Associates of $2.4 million is expected to be withdrawn. The settlements with CREA, Shearson, Lomas, A. G. McNeese, Flynn Energy and Winstead have not been approved by the Houston Bankruptcy Court. The Houston Bankruptcy Court's disapproval of the Jerry Gates settlement is on appeal to the Houston District Court.

The claims to which the Debtors have objected but remain unresolved include (i) approximately $60 million in claims of Principal Mutual Life Insurance Company and its predecessor in interest; (ii) the $45 million claims of the Debtors' directors and officers indemnity liability insurance carriers; and (iii) $290 million in duplicative claims of holders of public debt. Other categories of claims to which the Debtors have objected include claims erroneously filed and claims as to which the Debtors believe they have meritorious defenses.

Debtors are still reviewing the claims described above and may determine that objection to other claims is appropriate. The Debtors are unable to predict with certainty the outcome of the Debtors' objections to the claims. Where appropriate, the Debtors intend to attempt to settle or compromise certain of the claims. The claims may also be subject to the obligation of creditors to mitigate their damages and may otherwise be subject to reduction or elimination. In addition, the Debtors may elect to challenge the priority and classification of any claims that are ultimately allowed by the Houston Bankruptcy Court, and management believes the Debtors have substantial claims and rights of setoff that would reduce or eliminate certain of the claims.

The claims described above do not include any administrative claims filed or accrued against the Debtors after the commencement of the Chapter 11 Cases.

The Chapter 11 Cases, the claims of the FDIC and others, and other factors described above raise substantial doubts about the Company's ability to continue operations with its current capital structure. The Company's financial statements were prepared in conformity with generally accepted accounting principles on a going concern basis. They do not reflect the effects of any adjustments related to recoverability of assets or the amount of liabilities that might be necessary should the Company be unable to continue operations with its current capital structure.

Note 2 - Basis of presentation

The consolidated financial statements have been prepared assuming that the Company will continue operations with its current capital structure. See Note 1 for matters affecting the Company's ability to continue operations.

As a result of the decision to discontinue the Company's banking operations and the intention to dispose of the remaining banks for amounts that may involve only nominal consideration, the Company's net investment in the remaining banks was written off as of December 31, 1990. Results of operations for all banking subsidiaries are presented as "loss from discontinued operations" in the statements of operations. See Note 3.

For purposes of the statements of cash flows, the Company has defined cash equivalents as cash, certificates of deposit and U. S. Treasury bills with remaining maturities of three months or less at date of acquisition. A portion of the proceeds received from the sale of MVestment may not be withdrawn until ownership and entitlement is established. The FDIC has filed a claim, which has been denied by the Houston District Court, alleging it has a right to the proceeds as a result of the sale of the trust business by the Closed Banks to MVestment. These funds plus interest accrued thereon totalling $67.5 million at March 31, 1992 are invested primarily in U.S. Treasury bills.

The Company made no Federal income tax payments for the quarters ended March 31, 1992 and 1991.

Note 3 - Discontinued Operations

After considering the current circumstances of MCorp and of the Remaining Banks, the management of MCorp and MFI concluded that the sale of the remaining banking subsidiaries was in the best interests of the creditors and stockholders of the Company and would maximize the value of the Remaining Banks to the estates of the Debtors.

On February 27, 1990, MCorp sold all of the capital stock of MVestment Corp to Ameritrust Corporation ("Ameritrust"). The purchase price paid for the capital stock of MVestment was approximately $49.8 million, of which approximately $34.8 million was paid in cash to MFI at the time of closing, and $15 million was paid in the form of a five-year unsecured promissory note payable to MFI. In connection with the sale of MVestment, MVestment also repaid to MCorp Management a loan of approximately $69.9 million which had been made by MCorp Management to MVestment. The sale of MVestment also resulted in the sale of MTrust Corp and the other operating subsidiaries of MVestment to Ameritrust. As a result of such sale, MCorp realized a gain for consolidated financial reporting purposes of $96.3 million. This gain was offset with the actual losses and estimated losses on the sale of the Remaining Banks.

On December 6, 1990 Corpus Christi National Bank reduced and eliminated all of its outstanding capital stock owned by MFI, in exchange for the bank's distribution to MFI of assets with a stipulated value of $5 million and the issuance to MFI of a warrant to acquire, for $1 per share, shares of a new class of common stock of Corpus Christi National Bank to be issued in the recapitalization of that bank. The warrant for 51,525 shares would equal 4.9% of the shares to be outstanding upon the sale of $20,000,000 of new common stock and the exercise of the warrant. This warrant was exercised on May 16, 1991.

On December 21, 1990 MCorp sold MFI's interest in Mercantile Bank, N.A. for approximately $11 million in cash and acquired an option to purchase for $3 million certain assets with a stipulated value of $14 million. The market value of the assets purchased, estimated to be approximately $9 million, together with the $8 million of net cash received, was recorded as the consideration for the sale.

On June 3, 1991 MFI sold its interest in First National Bank of Central Texas ("FNB") for nominal consideration, plus the amount of any capital contributed to FNB by MFI prior to the closing less any losses incurred by FNB after the date the motion for approval of the sale was filed and up to the date of closing. In connection with the sale of FNB, the Company acquired certain assets from FNB for a purchase price equal to the assets' stipulated value totalling approximately $27.4 million, which purchase price was payable 50% in cash and 50% in a non-recourse promissory note by MFI secured by the assets. For financial reporting purposes, the assets were recorded at an amount equal to the principal amount of the non-recourse loan. Therefore, there is no exposure to loss from disposition of the assets but there may be gains if the assets are realized for an amount greater than the amount of the non-recourse note plus accrued interest. Servicing agreements have been entered with Mercantile Bank, N.A. and FNB pursuant to which those banks will service the respective assets acquired from them on the Company's behalf for a fee to be paid to them by the Company.

On August 8, 1991 MCorp sold 90.1% of the outstanding stock of State National Bank for approximately $446 thousand in cash. At the same time the purchasers contributed $14.9 million of new capital. In addition MCorp received an option that permits MFI to sell additional shares of State National Bank to the original purchasers. The put option is exercisable in the thirty-seventh month after the date of sale for a price equal to the then net book value per share. MFI initially has retained 9.9% of the outstanding stock in the bank.

MCorp and MFI are also evaluating various alternatives with respect to the disposition of Plaza Bank, N.A. MFI is unlikely to sell Plaza Bank, N.A. or receive any cash consideration if a sale is made until such time as its suit against the FDIC has been resolved. In addition, the consummation of any transaction is likely to be subject to certain conditions, including the receipt of applicable approvals or absence of disapproval of regulatory authorities.

The subsidiary banks declared no dividends in the first quarter of 1992 or 1991. Plaza Bank, N.A. may not declare dividends without the prior approval of the OCC.

Condensed combined financial statements of the discontinued operations for the quarters ended March 31, 1992 and 1991 and as of March 31, 1992 and 1991 and December 31, 1991 are presented below. Because MCorp had previously written off its investment in discontinued operations, the results of such operations are not reflected in the condensed consolidated statement of operations.

Condensed Statement of Operations
(dollars in thousands)

	Three months ended March 31,	
	1992	1991
Interest income	$1,206	$23,652
Interest expense	712	15,186
Net interest income	494	8,466
Provision for possible loan losses	-	-
Net interest income after provision for possible loan losses	494	8,466
Non-interest income	402	2,495
Non-interest expense	478	13,165
Gain (loss) from operations	$ 418	$(2,204)

Condensed Balance Sheet
(dollars in thousands)

	March 31,		December 31,
	1992	1991	1991
Assets			
Cash and due from banks	$ 3,384	$ 66,530	$ 3,593
Investment securities	18,227	212,450	19,954
Federal funds sold and securities purchased under repurchase agreements	6,050	95,355	5,500
Loans, net of allowance for possible loan losses of $.5 million, $40 million and $.5 million, respectively	33,420	660,067	33,678
Other assets	7,104	107,950	6,416
Total assets	$68,185	$1,142,352	$69,141
Liabilities and stockholder's equity			
Liabilities:			
Deposits	$64,245	$1,042,578	$65,515
Short-term debt	-	50,321	-
Long-term debt	-	926	-
Other liabilities	354	9,374	458
Total liabilities	64,599	1,103,199	65,973
Stockholder's equity:	3,586	39,153	3,168
Total liabilities and stockholder's equity	$68,185	$1,142,352	$69,141

Note 4 - Income Taxes

For the quarter ending March 31, 1992, the Company recorded a loss for financial reporting purposes of $4.2 million. The Company has available substantial amounts of net operating losses and tax credit carryforwards for Federal income tax and financial reporting purposes from prior years. The Company made no provision for Federal income tax payments for the quarters ended March 31, 1992 and 1991. Use of any loss carryforwards is dependent on future taxable income. As a result of uncertainties relating to the terms of a final confirmed plan or plans of reorganization under the Chapter 11 Cases, the extent of tax loss carryforwards available to the Company after reorganization cannot presently be determined.

Note 5 - Related Party Transactions

In the ordinary course of business the Debtors have engaged in transactions with their subsidiaries. At March 31, 1992 and 1991 and the year ended December 31, 1991 the Debtors had no bank deposits or certificates of deposit in the Remaining Banks. At March 31, 1992 and 1991 and the December 31, 1991, MCorp Management had outstanding accounts receivable from the Remaining Banks of $18 thousand, $.5 million and $.1 million, respectively. For the quarters ended March 31, 1992 and 1991 the Debtors recognized no interest income on advances to subsidiaries and interest bearing deposits which were not eliminated in consolidation. MCorp Management performed certain management services for its banking subsidiaries for which they are charged. MCorp Management recognized no management fee income for the quarters ended March 31, 1992 and 1991. Loans outstanding to officers of the Company total $920 thousand. The Company holds a note receivable from Lomas and Nettleton Financial Corp. with a carrying value including accrued interest of $31.2 million.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following commentary presents management's discussion and analysis of MCorp's consolidated financial condition and results of operations. This review should be read in conjunction with information provided in the financial statements, accompanying notes and selected financial data appearing elsewhere in this report. For convenience, all references to "MCorp" or the "Company" contained in this discussion refer to the parent company and all of its consolidated subsidiaries unless the text requires otherwise. Reference to the "Debtors" refers to MCorp, MCorp Management, Inc. ("MCorp Management") and MCorp Financial, Inc. ("MFI") and does not include any of their subsidiaries.

The Debtors are currently the subject of voluntary reorganization cases under Chapter 11 of the United States Bankruptcy Code (the "Chapter 11 Cases"). The Debtors' Chapter 11 filings resulted from a series of events that transpired in 1988 and early 1989, principally related to capital and liquidity pressures stemming from the continuing losses of certain of the Company's subsidiary banks. On March 28 and 29, 1989, the Office of the Comptroller of the Currency ("OCC") declared 20 of the Company's 25 bank subsidiaries insolvent and appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver for the closed banks (collectively this event is referred to as the "seizure", the 20 banks declared insolvent are referred to as the "Closed Banks" and the five banks not declared insolvent are referred to as the "Remaining Banks"). MCorp believes that at least twelve of the Closed Banks were solvent at the date of the bank closings and should not have been seized and closed. MCorp and MFI have filed suit in the United States District Court for the Northern District of Texas, Dallas Division (the "Dallas District Court") against Robert L. Clarke, the Comptroller of the Currency of the United States (the "Comptroller") and the FDIC alleging that the Comptroller, the FDIC and the Federal Reserve Board acted in concert to manufacture claims of insolvency against 12 of the 20 Closed Banks. On February 1, 1991 the Dallas District Court granted the Debtors' motion for summary judgment in favor of the Debtors on the merits against the FDIC and the Comptroller.

The Dallas District Court ruled that the FDIC and the Comptroller had, in fact, violated the National Bank Act when they declared the Closed Banks insolvent on March 28, 1989. The Dallas District Court found that the evidence supported MCorp's allegations that the FDIC and the Comptroller plotted to close as many MBanks as possible in order to provide a more attractive group of assets to prospective buyers. The Dallas District Court also held that the FDIC, as receiver for MBanks Dallas, Houston and Fort Worth, failed to fully reimburse the MBanks for the federal funds they had sold to MBanks Dallas, Houston and Fort Worth and that this failure violated the National Bank Act by not treating all creditors of those banks alike. Other creditors and depositors of MBanks Dallas, Houston and Fort Worth had been compensated in full for their claims through a combination of payments from the receiverships of the Closed Banks and from the FDIC bank insurance fund. The preference extended by the FDIC in favor of other creditors and depositors was found to be in violation of the National Bank Act.

The Dallas District Court's ruling also indicated that the court will consider the remedies to be awarded to MCorp and MFI. On February 15, 1991, the FDIC filed a motion for reconsideration of the court's ruling with the Dallas District Court. This motion was denied. On February 27, 1992 the Fifth Circuit in Texas American Bancshares, Inc. v. Clarke (the "TAB Decision") reversed a lower court decision that had held that in connection with a closure of a subsidiary bank of Texas American Bancshares, Inc. ("TAB") the FDIC, the receiver of the failed bank, violated 12 U.S.C. Sec. 191 and 194 of the National Bank Act by paying one amount to affiliates of TAB and a greater amount to non-affiliated creditors. The actions of the FDIC in the TAB situation were similar to the FDIC's actions in the closure of the Closed Banks. While there are obvious similarities between the TAB Decision and the MCorp and Plaza Bank, N.A. cases discussed above, there are significant factual distinctions which management believes compel a holding that the FDIC's actions violated applicable law. In addition, in both the MCorp and Plaza Bank, N.A. cases there is a totally independent legal basis for MCorp's and Plaza Bank's claims that was neither raised by TAB nor addressed by the Fifth Circuit.

As a result of the bankruptcy proceedings, management of MCorp and MFI concluded that the sale of the remaining bank subsidiaries is in the best interest of the creditors and stockholders of MCorp and will maximize the value of the banking subsidiaries to the estates of the Debtors. Due to the material changes in the nature of the Company's business occurring in 1989, the bank holding company format prescribed by Article 9 of Regulation S-X promulgated by the Securities and Exchange Commission was no longer applicable. The format of the financial statements was changed to reflect the Company's current operations. During the first quarter of 1990, MCorp completed the sale of MVestment, a trust and investment subsidiary whose subsidiary, MTrust Corp, had statutory banking powers. In the fourth quarter of 1990, MCorp completed the sales of Corpus Christi National Bank (formerly MBank Corpus Christi) and Mercantile Bank, N.A. (formerly MBank Brownsville). As a result of the decision to discontinue the Company's banking operations, the sale in 1990 of MVestment and two of the Remaining Banks and the intention to dispose of the three Remaining Banks for amounts that might involve only nominal consideration, the Company's net investment in the remaining banking subsidiaries was written off as of December 31, 1990. Results of operations for all banking subsidiaries are presented as "income or loss from discontinued operations" in the financial statements through December 31, 1990. During the second quarter of 1991, MCorp and MFI completed the sale of First National Bank of Central Texas (formerly MBank Waco) and subsequently on August 8, 1991, MCorp sold 90.1% of the outstanding stock of State National Bank (formerly MBank El Paso). MCorp and MFI are evaluating various alternatives with respect to the disposition of Plaza Bank, N.A. (formerly MBank New Braunfels) and the remaining assets of the Debtors. The timing and recovery of any such transactions are uncertain at this time.

The Board of Directors of MCorp approved a resolution permitting the termination of the MCorp Pension Plan ("Pension Plan") effective November 30, 1990. MCorp served as the plan sponsor until February 29, 1992 when the sponsorship was transferred to

MCorp Management. Termination of the plan was approved by the Pension Benefit Guaranty Corporation and the Internal Revenue Service. The United States District Court ruled, subject to appeal, that the excess assets (after applicable taxes) revert to MCorp.

The Chapter 11 Cases, the claims of the FDIC and others, and other factors raise substantial doubts about the Company's ability to continue as a going concern as it is currently configured. The Company's financial statements were prepared in conformity with generally accepted accounting principles on a going concern basis. They do not reflect the effects of any adjustments related to recoverability of assets or the amount of liabilities that might be necessary should the Company be unable to continue operations with its current capital structure. The Debtors filed their third proposed Disclosure Statement and Plan ("the Plan") on September 11, 1991. On January 7, 1992 the Houston Bankruptcy Court denied confirmation of the Plan. The Houston District Court granted the Debtors' motion for expedited appeal but on April 24, 1992 the Houston District Court denied the Debtors' appeal for procedural reasons. The Debtors' are working with the creditors' committee to evaluate alternatives regarding an amended plan of reorganization.

Review of the Consolidated Statement of Operations

MCorp recorded a net loss of $4.2 million in the first quarter of 1992 compared with net income of $2.9 million in the first quarter of 1991. The loss in the first quarter of 1992 of $4.2 million primarily resulted from interest income of $3.4 million offset by interest expense of $.2 million and non-interest expense of $7.4 million.

In the first quarter of 1992 net interest income (interest income net of interest expense) amounted to $3.2 million compared with net interest income of $6.9 million in the first quarter of 1991. This decrease is primarily due to the declining interest rate environment.

Non-interest expenses amounted to $7.4 million for the first quarter of 1992 compared with $4.2 million in 1991 resulting in an increase of $3.2 million. This increase is partially due to an increase of $2.3 million in professional fees as a result of litigation costs associated with the Chapter 11 bankruptcy proceedings. Other expense increased $.8 million, partially due to increased insurance costs and partially due to the write-off of a receivable by a non-bank subsidiary.

Balance Sheet Management

Total assets at March 31, 1992 were $394.3 million compared with $431.9 million at March 31, 1991. The majority of the decrease in total assets resulted from writedowns of assets to estimated market values and the settlement of certain claims against the Debtors.

Cash and cash equivalents amounted to $298.7 million at March 31, 1992 and consisted primarily of U. S. Treasury bills. The Company has defined cash equivalents as cash, certificates of deposit and U.S. Treasury bills with a remaining maturity at the date of acquisition of three months or less. Marketable securities totalled $276 million at March 31, 1991 and consisted exclusively of U. S. Treasury notes. A portion of the cash equivalent proceeds received from the sale of MVestment may not be withdrawn from an escrow account until ownership and entitlement is established. The FDIC has filed a claim, which has been denied by the U.S. District Court, alleging it has a right to the proceeds as a result of the sale of the trust businesses by the Closed Banks to MVestment. These funds plus interest accrued thereon totalling $67.5 million at March 31, 1992 are primarily invested in U.S. Treasury bills.

Assets held for sale include other investments, land, other real estate owned, loans and other assets totaling $80.4 million at March 31, 1992, a decrease of $13.8 million over the March 31, 1991 balance of $94.2 million. The decrease is primarily attributable to writedowns taken on other investments and the sale of the Company's southwestern art collection. Because these investments are not frequently traded, the values reflected are management's best estimate of market values.

On June 3, 1991 MFI completed the sale of First National Bank of Central Texas. On August 8, 1991 MFI completed the sale of 90.1% of the outstanding stock of State National Bank. MCorp continues to evaluate various alternatives with respect to the disposition of its one remaining banking subsidiary and its remaining financial assets. The timing and recovery of any such transactions are uncertain at this time.

At March 31, 1992, total recorded liabilities amounted to $573.9 million and reflected an increase of $11.4 million when compared to March 31, 1991. This increase is primarily due to the accrual of professional fees as a result of litigation costs associated with the Chapter 11 bankruptcy proceedings and the non-recourse note payable to First National Bank of Central Texas of $13.6 million, offset by recognition of the remaining deferred gain on the sale of MVestment. Pre-petition long-term debt amounted to $467.5 million at March 31, 1992 and March 31, 1991 and consisted of $342.5 million of senior unsecured notes and investment agreements and $125.0 million of subordinated floating rate capital notes. As a result of the Chapter 11 Cases, no interest has been accrued or paid with respect to such debt since the filing of the bankruptcy petitions representing a default under the terms of such securities. In June, 1991 post-petition long term debt increased $13.6 million due to the purchase of designated assets from First National Bank of Central Texas, 50% of the purchase price of which was payable by issuance by MFI to First National Bank of Central Texas of a non-recourse promissory note bearing interest at prime less two percent by MFI secured by the assets and payable over ten years. The Debtors anticipate that the ultimate resolution of their liabilities will be settled pursuant to a reorganization plan. At March 31, 1992 other liabilities of $92.9 million consisted of pre-petition interest payable of $38.4 million, and pre-petition and post-petition accounts payable and accruals of $15.5 million and $39.0 million, respectively. This compares with other liabilities of $81.1 million at March 31, 1991 which consisted of pre-petition interest payable of $38.4 million, and pre-petition and post-petition accounts payable and accruals of $15.5 million and $27.2 million, respectively. As discussed above, the increase in post-petition accounts payable and accruals is primarily due to increasing litigation costs. At March 31, 1992 MCorp's recorded liabilities exceeded its assets by $179.7 million. MCorp declared a moratorium, effective October 21, 1988, on further payments of dividends on Preferred Stock and Common Stock and of principal and interest on Parent Company debt. At March 31, 1992 the amount of dividends in arrears on the $3.50 Series Preferred Stock was $840 thousand and the amount of dividends in arrears on the Money Market Preferred Stock was $51.8 million. A default in preferred dividends on the Money Market Preferred Stock occurs when six quarterly dividends are unpaid and in arrears. If a default exists at the time of any annual meeting of shareholders for the election of directors, the number of directors of the Company is increased by two, and the holders of the Money Market Preferred Stock shall elect them. The default in preferred dividends on the Money Market Preferred Stock occurred on April 19, 1990. Future equity or deficit levels will be largely dependent upon the Company's operating results, recoverability of recorded asset amounts, the resolution of contingent assets including the counter claim filed against the FDIC and the resolution of contingent liabilities and claims against MCorp in the Chapter 11 proceedings, all of which management continues to assess.

Liquidity Management

The purpose of MCorp's liquidity management is to assure that sufficient cash flow exists to meet the Company's financial commitments which arise in daily operations. Cash flow requirements of the parent company were significantly reduced by the suspension on October 21, 1988 of interest and principal payments on long-term debt and by filing for relief under Chapter 11 of the U. S. Bankruptcy Code. The current cash requirements are principally administrative in nature and are largely related to the Chapter 11 Cases and the disposition of assets. Liquidity is primarily derived from the asset side of the balance sheet and is linked to a substantial base of liquid assets and the interest income earned thereon. Cash resulting from the disposition of assets will provide additional liquidity. Management believes MCorp's financial holdings allow it the flexibility to meet future cash needs at levels considered appropriate for managing the business.

Part II. Other Information

Item 1. Legal Proceedings.

See Part I, Item 1. - "Financial Statements - Notes to the Consolidated Financial Statements - - Note 1." See also Part I, Item 3. - "Legal Proceedings" of MCorp's Annual Report on Form 10-K for the year ended December 31, 1991 for a discussion of legal proceedings to which MCorp is a party.

See Part I, Item 1. - "Financial Statements - Notes to the Consolidated Financial Statements - - Note 1" of MCorp's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992 for a discussion of the claims litigation. See Part I, Item 1. - "Financial Statements - Notes to the Consolidated Financial Statements - - Note 5" of MCorp's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992 for a discussion of legal proceedings to which MCorp is a party.

Item 2. Changes in Securities.

As a result of the Chapter 11 proceedings, MCorp may not pay dividends on any of its outstanding securities without the prior approval of the Houston Bankruptcy Court.

Item 3. Defaults upon Senior Securities.

See Part I, Item 2. - "Management's Discussion and Analysis of Financial Condition And Results of Operations - Balance Sheet Management."

Item 4. Submission to a Vote of Security Holders.

N/A

Item 5. Other Information.

See Part I, Item 2. - "Management's Discussion and Analysis of Financial Condition And Results of Operations - Balance Sheet Management" for a discussion of the Company's sales of certain of its remaining banking subsidiaries.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibit 11 Computation of Income(Loss) Per Share
(b) Current Reports on Form 8-K - None

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MCorp
(Registrant)

Date: May 13, 1992

By: ______________________
Peter B. Bartholow
President and
Chief Executive Officer

Date: May 13, 1992

By: ______________________
W. Mack Goforth
Managing Director
Accounting and Control

Exhibit Index

Sequentially Exhibit No.	Description of Exhibit	Numbered Page
11	Computation of Income(Loss) per Share	22

Exhibit 11

MCORP AND SUBSIDIARIES

COMPUTATION OF INCOME (LOSS) PER SHARE

(i. thousands, except per share amounts)

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Computation of income (loss) per common and common equivalent share - assuming no dilution:		
Net (loss) income	$ (4,181)	$ 2,895
Preferred stock dividends:		
$3.50 convertible preferred	-	-
Money market preferred	-	-
Adjusted net (loss) income	$ (4,181)	$ 2,895
Weighted average shares outstanding	42,572	42,572
Increase in weighted average shares outstanding from common stock equivalents	-	-
Adjusted weighted average shares outstanding	42,572	42,572
Net (loss) income per common and common equivalent share*	$ (0.10)	$ 0.07

*Common stockholders may not receive a distribution from the bankruptcy estate of MCorp.

The computations of income (loss) per common and common equivalent shares assuming no dilution and assuming full dilution are identical because there are no dilutive securities.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Period Ended March 31, 1992

Commission File Number 33-30677-NY

PAUDAN, INC.
(Exact name of Registrant as specified in its charter)

NEW YORK	11-2931252
(State of other jurisdiction incorporation or organization)	(I.R.S. Employee of Identification number)

PAUDAN, INC.
3 Sturbridge Lane
Dix Hills, New York 11746
(Address of principal executive offices)

(516) 499-7694
(Registrant's telephone number, including area code)

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SECTION

Indicate by (X) whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes X No_____

Common Stock, $.001 par value. 375,000 shares outstanding as of March 31, 1992

Documents incorporated by reference: None.

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PART I - FINANCIAL INFORMATION

Item 1. - Financial Statements:

The condensed financial statements included herein have been prepared by the Company's accountants, without audit, pursuant to the rules of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principals have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion provides information concerning the liquidity and capital resources of the Registrant (the "Company") for the year ended December 31, 1991, and summarizes, in the opinion of the Company's management, the results of operations for its three month period ended March 31, 1992. For further information see the unaudited financial statements of the Company and the notes thereto.

LIQUIDITY AND CAPITAL RESOURCES

On March 12, 1990, the Company successfully completed a public offering of securities, resulting in gross proceeds of $300,000. At March 31, 1992, the Company had placed most of its assets into short-term Certificates of Deposit. Pending execution of a definitive agreement with respect to a proposed business combination, the Company's capital is considered adequate for all intended or anticipated expenses. The Company had no current commitments for capital expenditures as of March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 12, 1992

PAUDAN, INC.

By: Paul D'Andrea
PAUL D'ANDREA, President
and Chief Financial Officer

RESULTS OF OPERATIONS

To date, the Company's sole source of revenue has been interest income. The Company earned interest income of $27,482 from inception (September 14, 1988) through March 31, 1992, and $1,792 for the three month period ended March 31, 1992 from the placement of proceeds therefrom in Certificates of Deposit and interest-bearing bank accounts. The Company's expenses of $2,859 for the first three months of fiscal 1992 is attributable primarily to professional and transfer fees. As a result of the foregoing and after accrual of $429 for income taxes, the Company lost $1,496 for the three months ended March 31, 1992.

Part II - Other Information.

Item 1. Legal Proceedings - None.

Item 2. Changes in Securities - None.

Item 3. Defaults Upon Senior Securities - None.

Item 4. Submissions of Matters to a Vote of Security Holders - None.

Item 5. Other Information - None.

Item 6. (a) Exhibits - None.

PAUDAN, INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEET

	March 31 1992 (Unaudited)	December 31 1991
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	$250,133	$ 251,114
TOTAL ASSETS	$250,133	$ 251,114
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accrued expenses	$ 2,669	$ 2,154
TOTAL CURRENT LIABILITIES	2,669	2,154
STOCKHOLDERS' EQUITY		
Common stock, $.001 par value 120,000,000 shares authorized, 375,000 shares issued and outstanding	375	375
Additional paid in capital	243,874	243,874
Income accumulated during development stage	3,215	4,711
TOTAL STOCKHOLDERS' EQUITY	247,464	248,960
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$250,133	$ 251,114

PAUDAN, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF STOCKHOLDERS' EQUITY

	Common Stock		Capital in Excess of Par Value	Income Accumulated During Development Stage	Total Stockholder Equity
	Shares	Amount			
Issuance of shares to an officer and director of the Company for cash, September 14, 1988	75,000	$ 75	$ 4,925	$	$ 5,000
Net loss from inception (September 14, 1988) to December 31, 1988				(349)	(349)
Net loss for the year ended December 31, 1989				(284)	(284)
Balance, December 31, 1989	75,000	75	4,925	(633)	4,367
Public offering of common stock and warrants	300,000	300	299,700		300,000
Offering costs			(60,781)		(60,781)
Sale of underwriter's warrants			30		30
Net loss for the year ended December 31, 1990				(84)	(84)
Balance, December 31, 1990	375,000	375	243,874	(717)	243,532
Net income for the year ended December 31, 1991				5,428	5,428
Balance, December 31, 1991	375,000	375	243,874	4,711	248,960
Net loss for the three months ended March 31, 1992 (unaudited)				(1,496)	(1,496)
Balance, March 31, 1992 (unaudited)	375,000	$ 375	$ 243,874	$ 3,215	$ 247,464

PAUDAN, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF OPERATIONS
(UNAUDITED)

	For The Three Months Ended March 31		From Inception September 14, 1988 To March 31, 1992
	1992	1991	
REVENUE			
Interest	$ 1,792	$ 4,213	$27,482
EXPENSES			
Transfer fees	300	565	2,748
Professional	2,559	400	16,922
Travel			1,250
Miscellaneous		33	393
TOTAL	2,859	998	21,313
INCOME (LOSS) BEFORE INCOME TAXES	(1,067)	3,215	6,169
INCOME TAXES	429	429	2,954
NET INCOME (LOSS)	$(1,496)	$ 2,786	$ 3,215
EARNINGS PER SHARE			
Income (loss) per share	NIL	NIL	$ .01
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	375,000	375,000	248,977

PAUDAN, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CASH FLOWS
(UNAUDITED)

	For The Three Months Ended March 31 1992	 1991	From Inception September 14, 1988 To March 31, 1992
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$(1,496)	$ 2,786	$ 3,215
Increase (decrease) in accrued expenses	515	(866)	2,669
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(981)	1,920	5,884
CASH FLOWS FROM FINANCING ACTIVITIES			
Sale of common stock			375
Additional paid in capital			304,625
Payment of offering costs			(60,781)
Sale of underwriter's warrants			30
NET CASH PROVIDED BY FINANCING ACTIVITIES			244,249
NET INCREASE (DECREASE) IN CASH	(981)	1,920	250,133
CASH, BEGINNING OF PERIOD	251,114	246,526	
CASH, END OF PERIOD	$ 250,133	$ 248,446	$ 250,133

PAUDAN, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1992
(UNAUDITED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND DIVIDEND POLICY

The Company was incorporated under the laws of the State of New York on September 14, 1988. The Company is in the development stage, and has not commenced planned principal operations. The fiscal year of the corporation is December 31. The Company has, at the present time, not paid any cash dividends and any dividends that may be paid in the future will depend upon the financial requirements of the Company and other relevant factors.

The financial data for the three months ended March 31, 1992 and 1991 and the period September 14, 1988 (commencement of development stage) through March 31, 1992 is unaudited, but includes all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the results of operations for such periods.

RELATED PARTY TRANSACTIONS

The Company maintains its business office rent free at the office of its President, 3 Sturbridge Lane, Dix Hills, New York 11746. The Company will use these offices until such time as it is required to find its own space.

Paul D'Andrea, the President and a Director of the Company purchased 75,000 shares of the Company for $5,000 on September 14, 1988. These shares represent a 20% ownership in the Company.

Alfred Romano, the Secretary and a director of the Company, is an officer, a director and/or a principal shareholder of Metatech, Inc. and Procap, Inc. All of such companies have been organized as blind pools to engage in activities similar to those of the Company.

NOTE 2: CAPITAL STOCK

As of March 31, 1992 the following warrants to purchase additional shares of common stock were outstanding:

NO. OF WARRANTS	NO. OF SHARES	EXERCISE PRICE	EXPIRATION DATE
300,000	300,000	$ 3.00	06/12/92
30,000	30,000	1.20	11/03/95

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the quarterly period ended March 31, 1992

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number 1-3490

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PENNSYLVANIA GAS AND WATER COMPANY

(Exact name of registrant as specified in its charter)

Pennsylvania (State or other jurisdiction of incorporation or organization)	24-0717235 (IRS Employer Identification No.)
Wilkes-Barre Center, 39 Public Square Wilkes-Barre, Pennsylvania (Address of principal executive offices)	18711-0601 (Zip Code)

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(717) 829-8843
(Registrant's telephone number including area code)

Indicate by check mark whether (1) the registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No _

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Registrant had 3,870,900 shares of common stock, no par value, outstanding as of April 22, 1992

PENNSYLVANIA GAS AND WATER COMPANY

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PART I. FINANCIAL INFORMATION

PENNSYLVANIA GAS AND WATER COMPANY

STATEMENTS OF INCOME

	Three Months Ended March 31,	
	1991	1992
	(Thousands of Dollars)	
OPERATING REVENUES:		
Gas	$ 60,326	$ 58,995
Water	8,065	11,678
Total operating revenues	68,391	70,673
OPERATING EXPENSES:		
Cost of gas	36,872	33,651
Other operation expenses	9,675	9,675
Maintenance	2,215	2,130
Depreciation	2,281	2,787
Deferred treatment plant costs	(765)	-
Income taxes	3,105	4,599
Other taxes	4,254	5,211
Total operating expenses	57,637	58,053
OPERATING INCOME	10,754	12,620
OTHER INCOME, NET	87	176
INCOME BEFORE INTEREST CHARGES	10,841	12,796
INTEREST CHARGES:		
Interest on long-term debt	4,440	4,999
Other interest	898	1,215
Allowance for borrowed funds used during construction	(54)	(240)
Deferred treatment plant interest	(929)	-
Total interest charges	4,355	5,974
NET INCOME	6,486	6,822
DIVIDENDS ON PREFERRED STOCK	1,059	1,059
EARNINGS APPLICABLE TO COMMON STOCK	$ 5,427	$ 5,763
COMMON STOCK:		
Weighted average number of shares outstanding	3,681,934	3,713,273
Earnings per share	$ 1.47	$ 1.55
Cash dividends per share	$ .60	$ .705

The accompanying notes are an integral part of the financial statements.

PENNSYLVANIA GAS AND WATER COMPANY

BALANCE SHEETS

	December 31, 1991	March 31, 1992
	(Thousands of Dollars)	
ASSETS		
UTILITY PLANT:		
Gas plant, at original cost less acquisition adjustments of $386,000	$ 223,655	$ 225,857
Water plant, at original cost plus acquisition adjustments of $14,236,000	289,708	295,846
Common plant, at original cost	25,123	25,189
	538,486	546,892
Accumulated depreciation	(71,044)	(73,882)
	467,442	473,010
OTHER PROPERTY AND INVESTMENTS	2,348	2,268
CURRENT ASSETS:		
Cash	658	629
Accounts receivable -		
Customers	20,030	22,996
Others	391	364
Reserve for uncollectible accounts	(1,607)	(1,829)
Intercompany advance	15,000	-
Accrued utility revenues	12,331	10,897
Materials and supplies, at average cost	3,547	3,542
Gas held by suppliers, at average cost	20,026	2,469
Prepaid expenses and other	2,873	5,025
	73,249	44,093
DEFERRED CHARGES:		
Unamortized debt expense	2,730	2,465
Capital stock expense	1,246	771
Deferred treatment plant costs and interest	5,146	5,146
Deferred water utility billings	3,385	4,288
Other	8,971	8,640
	21,478	21,310
TOTAL ASSETS	$ 564,517	$ 540,681

The accompanying notes are an integral part of the financial statements.

PENNSYLVANIA GAS AND WATER COMPANY

BALANCE SHEETS

	December 31, 1991	March 31, 1992
	(Thousands of Dollars)	
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION:		
Common shareholder's investment	$ 147,678	$ 157,460
Preferred stock -		
Not subject to mandatory redemption	9,916	9,916
Subject to mandatory redemption	42,000	42,000
Long-term debt	194,853	162,979
	394,447	372,355
CURRENT LIABILITIES:		
Current portion of long-term debt and preferred stock subject to mandatory redemption	57,480	57,491
Accounts payable -		
Suppliers	21,156	15,955
Affiliates, net	1,191	1,155
Deferred cost of gas and supplier refunds, net	11,984	11,486
Accrued general business and realty taxes	3,090	3,475
Accrued income taxes	2,091	6,134
Accrued interest	5,523	4,627
Other	1,831	1,884
	104,346	102,207
DEFERRED CREDITS:		
Deferred income taxes	31,768	32,265
Unamortized investment tax credits	9,695	9,631
Advances for construction	9,941	10,021
Contributions in aid of construction	8,189	8,188
Operating reserves	1,847	1,901
Other	4,284	4,113
	65,724	66,119
COMMITMENTS AND CONTINGENCIES (Note 4)		
TOTAL CAPITALIZATION AND LIABILITIES	$ 564,517	$ 540,681

The accompanying notes are an integral part of the financial statements.

PENNSYLVANIA GAS AND WATER COMPANY

STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	1991*	1992
	(Thousands of Dollars)	
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	$ 6,486	$ 6,822
Effects of noncash charges to income -		
Depreciation	2,285	2,790
Deferred income taxes, net	1,164	497
Provision for self insurance	240	240
Deferred treatment plant costs and interest	(1,695)	-
Deferred water utility billings	(7)	(1,119)
Other, net	969	906
Changes in working capital, exclusive of cash and current portion of long-term debt -		
Receivables and accrued utility revenues	(2,909)	(1,283)
Gas held by suppliers	15,566	17,557
Other current assets and liabilities, net	6,588	1,654
Accounts payable	(8,156)	(4,280)
Deferred cost of gas and supplier refunds, net	6,000	(498)
Other operating items, net	(90)	(337)
Net cash provided by operating activities	26,641	22,949
CASH FLOW FROM INVESTING ACTIVITIES:		
Additions to utility plant	(5,515)	(8,669)
Other, net	287	108
Net cash used for investing activities	(5,228)	(8,561)
CASH FLOW FROM FINANCING ACTIVITIES:		
Issuance of common stock	137	7,090
Dividends on common and preferred stock	(3,269)	(3,664)
Repayment of long-term debt	(1,340)	(1,863)
Collection of intercompany advance	-	15,000
Net decrease in bank borrowings	-	(30,957)
Other, net	-	(23)
Net cash used for financing activities	(4,472)	(14,417)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16,741	(29)
CASH AT BEGINNING OF YEAR	2,013	658
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 18,754	$ 629
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest (net of amount capitalized)	$ 3,826	$ 4,795
Income taxes	$ -	$ 106

*Reclassified to conform with 1992 financial statement presentation.

The accompanying notes are an integral part of the financial statements.

PENNSYLVANIA GAS AND WATER COMPANY

NOTES TO FINANCIAL STATEMENTS

(1) GENERAL

The interim financial statements included herein have been prepared by Pennsylvania Gas and Water Company (PG&W), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although PG&W believes that the disclosures are adequate to make the information presented not misleading.

The results for the interim periods are not necessarily indicative of the results to be expected for the year, primarily due to the effect of seasonal variations in weather. However, in the opinion of management, all adjustments, consisting of only normal recurring accruals, necessary to present fairly the results for the interim periods have been reflected in the financial statements. It is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto included in PG&W's latest annual report on Form 10-K.

(2) RATE MATTERS

Gas Rate Filings

Annual Gas Cost Adjustment. Pursuant to the provisions of the Pennsylvania Public Utility Code, which require that the tariffs of gas distribution companies, such as PG&W, be adjusted on an annual basis to reflect changes in their purchased gas costs, the PPUC ordered PG&W to make the following changes to the gas costs contained in its gas tariff rates on the dates indicated:

Effective Date	Change in Rate per Thousand Cubic Feet		Calculated Increase (Decrease) in Annual Revenue
	From	To	
December 1, 1990	$3.02	$3.20	$ 4,200,000
December 1, 1991	3.20	2.46	(20,800,000)

Such changes in gas rates have no effect on PG&W's earnings since the change in revenue is offset by a corresponding change in the cost of gas.

Recovery of Take-or-Pay Costs. On April 27, 1990, PG&W filed an application with the PPUC seeking approval to recover 90% ($13.9 million based on then current estimates) of its total take-or-pay liabilities, and $250,000 of related carrying costs, through billings to customers over a four-year period beginning June 1, 1990. The PPUC approved this application effective June 1, 1990. In connection with this approval, PG&W agreed to absorb a portion of its take-or-pay liabilities. The amount to be so absorbed by PG&W is currently estimated to range, between $1.7 million and $1.9 million, of which $1.7 million had been charged to expense as of March 31, 1992. As of March 31, 1992, PG&W had billed $9.3 million of take-or-pay costs to its customers and had deferred $4.3 million of such costs, including related carrying charges, for future billing to customers.

Under the terms of the PPUC's Order in respect of take-or-pay obligations, the surcharge by which PG&W bills its customers for take-or-pay costs is to be adjusted annually as of June 1 to reflect changes in PG&W's total estimated liability for take-or-pay costs (which is currently projected to be as much as $19.1 million) and the portion of such costs remaining to be recovered from its customers. In accordance therewith, PG&W has filed data with the PPUC requesting approval by the PPUC of an adjustment in PG&W's take-or-pay surcharge effective June 1, 1992, based on the $9.2 million of take-or-pay costs that PG&W currently estimates will remain to be collected from its customers as of such date.

Water Rate Filings

Scranton Area Water Rate Increase. On June 8, 1990, PG&W filed an application with the PPUC seeking a water rate increase, designed to produce $25.5 million in additional annual revenue to be effective August 7, 1990. This rate increase request involved the approximately 54,700 customers who are now being furnished water from the one previously existing and the four new water treatment plants in the Scranton Water Rate Area. By Order entered July 16, 1990, the PPUC allowed this rate increase to be suspended for seven months (until March 7, 1991) by operation of law and instituted an investigation into the reasonableness of the proposed rates. Subsequent to the entry of the PPUC's Order, PG&W agreed to extend the suspension period for an additional 39 days (until April 15, 1991), in order to allow sufficient time for it to submit certain required data and for the PPUC to fully conduct its investigation.

On December 21, 1990, PG&W, the PPUC Office of Trial Staff, the Office of Consumer Advocate, the Office of Small Business Advocate and Pennsylvania-American Water Company (a customer to whom PG&W supplies water for resale) filed a Joint Petition for Settlement ("Settlement Petition") with the Administrative Law Judge assigned to conduct the investigation of the proposed rate increase. This Settlement Petition provided for a 110% rate increase designed to produce $15.0 million of additional annual revenue to be phased-in over a two-year period under the terms of a qualified phase-in plan, pursuant to FASB Statement 92 entitled "Regulated Enterprises-Accounting for Phase-in Plans." The Settlement Petition further provided that $10.2 million of the increased revenue (an approximate 75% increase in rates) was to be realized through an immediate rate increase and that the remaining $4.8 million of the increased revenue (an additional 35% increase in rates) was to be realized through a further rate increase one year later (i.e., at the beginning of year two of the phase-in period). The Settlement Petition also specified that the $4.8 million in billings that would be so deferred during the first year of the phase-in period was to be collected from customers in the form of a surcharge in years two through ten of the phase-in period. By Order adopted March 22, 1991, the PPUC approved the Settlement Petition and permitted PG&W a water rate increase estimated to produce additional annual revenue of $15.0 million, effective March 23, 1991. In accordance with the provisions of FASB Statement 92, PG&W commenced recording the entire $15.0 million increase in annual revenue allowed by the PPUC as additional revenue beginning March 23, 1991. However, pursuant to the terms of the Settlement Petition, PG&W deferred the billing of $4.8 million of the increased revenue recorded during the first year of the phase-in period (i.e. the period March 23, 1991, through March 22, 1992). Effective March 23, 1992, PG&W began to bill such amount by means of the surcharge that will be in effect in years two through ten of the phase-in period, and as of March 31, 1992, $1,600 had been so billed to its Scranton Water Rate Area customers.

Deferred Treatment Plant Costs and Interest. As approved by an Order of the PPUC entered September 5, 1990, PG&W deferred all operating expenses, including depreciation and property taxes, and the carrying charges (equivalent to the allowance for borrowed funds used during construction) relative to the four new Scranton Area water treatment plants and related facilities from the dates of commercial operation of the plants until March 23, 1991, the effective date of the Scranton Area water rate increase approved by the PPUC on March 22, 1991. As of March 31, 1992, a total of $5.1 million of costs, consisting of $2.3 million of operating expenses and $2.8 million of carrying charges, had been so deferred pursuant to the PPUC's Order permitting the deferral of these costs. The deferral of these costs resulted in an increase in earnings in the first quarter of 1991 of $981,000, net of related income taxes. PG&W intends to seek recovery of such amounts in its next rate increase request relative to the Scranton Water Rate Area. In the opinion of PG&W, the recovery of these costs will be allowed by the PPUC in future rates.

Nesbitt Service Area Water Rate Increase. On April 30, 1991, PG&W filed an application with the PPUC seeking a water rate increase, designed to produce $2.6 million in additional annual revenue. This rate increase request involved the approximately 14,300 customers in the Spring Brook Water Rate Area who are served exclusively by the Nesbitt Water Treatment Plant. PG&W and certain parties filing objections to the rate increase request reached a settlement that provided for a $1.9 million increase in annual revenue which the PPUC approved effective January 30, 1992. On February 6, 1992, the Office of Consumer Advocate ("OCA"), a complainant in the rate proceeding and a signatory to the settlement, filed a petition for reconsideration and clarification of the PPUC Order which approved the settlement. On February 18, 1992, PG&W filed an answer to the OCA's petition. By Order entered February 27, 1992, the PPUC granted the OCA's petition and, as a result, the $1.9 million rate increase remains subject to further PPUC and possible appellate review. Although it cannot be certain, PG&W believes that the $1.9 million increase will not be rescinded in whole or in part or affected in any other way as a result of the OCA's petition.

(3) POSTRETIREMENT BENEFITS

In December, 1990, FASB Statement 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" was issued. The provisions of this statement, which PG&W must adopt in 1993, will require PG&W to record the cost of retiree health care and life insurance benefits as a liability over the employees' active service periods instead of on a benefits paid basis as is PG&W's current practice. Preliminary actuarial studies indicate that PG&W's unfunded accumulated obligation for postretirement benefits other than pensions (the "transition obligation") will approximate $32.2 million as of January 1, 1993, and that PG&W's accrued costs for postretirement benefit obligations other than pensions, including amortization of the transition obligation, will be approximately $5.3 million in 1993, based on the provisions of FASB Statement 106. These amounts are preliminary estimates. PG&W is continuing to review various assumptions and alternatives which may significantly reduce such estimates. On a benefits paid basis (PG&W's current practice), the estimated cost of such benefits in 1993 would be approximately $1.2 million. Nevertheless, the provisions of FASB Statement 106 are not expected to have a significant effect on PG&W's results of operations, since it expects that the PPUC will authorize it to recover in rates the additional costs which will be accrued pursuant to the provisions of FASB Statement 106.

(4) COMMITMENTS AND CONTINGENCIES

Construction of Water Treatment Facilities

On December 22, 1983, the Pennsylvania Department of Health advised PG&W that data collected over the prior two months indicated a higher than normal incidence of giardiasis in some of the municipalities served by PG&W's Spring Brook Intake Reservoir. Giardiasis is a flu-like disease that is transmitted by the giardia cyst, a microscopic organism, which can be waterborne. In January, 1984, giardia cysts were confirmed as being present in samples of water taken from the distribution system served by the Spring Brook Intake Reservoir. During March, 1984, the cysts were also found to be present in samples of water taken from the distribution system served by PG&W's Elmhurst Reservoir. These findings resulted in approximately 73,600 of PG&W's 127,900 water customers being advised to boil water for varying periods during 1984, the issuance of Orders by the Pennsylvania Department of Environmental Resources ("DER") requiring PG&W to construct filtration plants to treat the water entering its distribution system from the Spring Brook Intake, Nesbitt and Elmhurst Reservoirs and to take various other actions relative to its water utility operations, and an investigation by the PPUC regarding the propriety of adjusting the rates of the customers in question, which, among other things, resulted in the issuance of credits by PG&W in 1984 totaling $909,000.

The presence of giardia cysts also resulted in the decision by PG&W to construct two large water treatment plants to provide for filtration of the water supplies which were subject to Orders issued by the DER, as well as certain of PG&W's other water supplies. The estimated cost of these water treatment plants, and associated distribution system facilities, is $49.9 million, of which $48.4 million had been expended as of March 31, 1992. One of these plants, known as the Nesbitt Water Treatment Plant, which provides for treatment of water from the Nesbitt and Spring Brook Intake Reservoirs, was placed in service in May, 1988. The other plant, known as the Scranton Area Water Treatment Plant, which provides for treatment of water from the Elmhurst Reservoir and certain other supplies, was completed in June, 1990, and became fully operational in July, 1990. These plants will also require the construction of related wastewater facilities, which will involve a currently estimated expenditure of $7.8 million during the period 1992 through 1996.

Additionally, PG&W has adopted a plan involving the construction of six other water treatment plants and associated water supply and distribution system improvements, as well as certain previously planned dam modifications. One of these additional water treatment plants (the Brownell Water Treatment Plant) was completed and placed in service in June, 1990, and two others (the Chinchilla and Fallbrook Water Treatment Plants) were completed and placed in service in July, 1990. Of the three remaining water treatment plants, each of which will serve a portion of the Spring Brook Rate Area, one (the Crystal Lake Water Treatment Plant) is scheduled for completion in the summer of 1992 and the two other plants (the Ceasetown and Watres Water Treatment Plants) are each currently scheduled to be completed in late 1993. The construction of these six plants and associated facilities, which will result in the filtration of all PG&W's regularly used water supplies, will, along with the previously planned dam modifications, cost $124.1 million based on current estimates, of which $48.3 million had been expended as of March 31, 1992. The continuation of this program and the expenditure of the approximate $75.8 million required for its completion is dependent upon PG&W and its parent company, Pennsylvania Enterprises, Inc. ("PEI"), being able to raise the necessary capital in a timely manner.

Although it cannot be certain, PG&W does not believe that its construction of the water treatment plants, the associated water supply and distribution system improvements and the previously planned dam modifications, as described above, should have a material adverse effect on its financial position, other than for "regulatory lag," since the expenditures for such facilities should be recoverable in the future rates charged by PG&W for water service.

Construction Litigation

On April 22, 1992, a complaint was filed in the Court of Common Pleas of Lackawanna County, Pennsylvania by the Quandel Group, Inc. ("Quandel") against PG&W in connection with the construction of PG&W's Brownell Water Treatment Plant. Specifically, Quandel, the general contractor for this project, alleges that (i) PG&W has not paid Quandel for work in connection with certain change orders issued by PG&W, (ii) PG&W has not paid Quandel for work done beyond the requirements of its contract to remediate defects resulting from improper designs furnished by PG&W, and (iii) on account of breaches by PG&W, Quandel could not complete the work to be done under the contract within the agreed contract period and was forced to incur additional costs in performing such work for which it has not been compensated. Quandel seeks approximately $1.3 million in damages plus interest. Although it cannot be certain because this proceeding is in its earliest stages, PG&W believes that this complaint is without merit and that it will prevail in this action. Furthermore, PG&W believes that in the event it does not prevail in this action, Gannett-Fleming Water Resources Engineers, Inc., the designer of the project, will be responsible for part of any damages that may be awarded. In addition, PG&W believes that a substantial portion of any amounts it might be required to pay as a result of this action would be recoverable in future rates as costs properly associated with the construction of water treatment facilities.

Giardiasis Litigation

There are currently five class action suits and two individual suits pending against PG&W, and in certain instances against PEI, in connection with the presence of giardia cysts in the distribution systems served by PG&W's Spring Brook Intake and Elmhurst Reservoirs. PG&W is vigorously contesting these suits. Although some of these suits involve claims for substantial amounts, and although PG&W cannot be certain since the actions are still in their preliminary stages, PG&W believes that it has adequate insurance to cover any liability that may foreseeably result from these suits and, therefore, that they should not have a material adverse effect on its financial position or its results of operations.

Agreement with Department of Environmental Resources

On December 20, 1988, PG&W and the Pennsylvania Department of Environmental Resources ("DER") entered into a Consent Order and Agreement (the "Consent Order"), the terms and conditions of which, among other things, require PG&W to provide for the filtration of all water supplies serving the Spring Brook Water Rate Area by the end of 1992, subject to "force majeure" extensions in such deadline if approved by DER, to pay civil penalties of $1,000 per day for each day and for each instance in which completion of the planned treatment plants is delayed beyond their respective specified completion dates, to pay $1,000 per day for each day certain other requirements are not met, and to take certain other actions with respect to its water supplies, including continued operation of interim treatment facilities until replaced by water treatment plants. Under the terms of the Consent Order, the DER agreed not to seek civil penalties for turbidity violations if PG&W met the specified completion dates for the water treatment plants. Except for meeting the deadline specified for the filtration of all water supplies serving the Spring Brook Water Rate Area, which will require the completion of the three water treatment plants that are now under construction, PG&W believes it will comply with the various requirements of the Consent Order. Only one of the three plants now under construction (the Crystal Lake Water Treatment Plant) is expected to be completed by the December 31, 1992, deadline specified in the Consent Order. Completion of the two other plants (the Ceasetown and Watres Water Treatment Plants) is not anticipated until late in 1993.

On August 16, 1991, PG&W requested a one-year extension until December 31, 1993, for reasons of "force majeure," in the deadline specified in the Consent Order relating to the filtration of water supplies in the Spring Brook Water Rate Area and, in particular, the completion of the Ceasetown and Watres Water Treatment Plants. On February 27, 1992, the DER denied such request on the basis that it did not comply with the provisions of the Consent Order regarding requests for extension because of "force majeure." PG&W intends to vigorously contest such denial, and, to such extent, it has filed an appeal thereto with the Environmental Hearing Board of the Commonwealth of Pennsylvania. PEI believes that in view of the magnitude of the effort required in providing for the filtration of all of PG&W's water supplies, the cost of such program, the low level of PG&W's earnings because of the past denial of water rate relief by the PPUC, and restrictions on the financing capabilities of both PEI and PG&W from October 1, 1990, to September 12, 1991, when PG&W issued its 9.57% Series First Mortgage Bonds, the level of civil penalties which have been previously imposed on PG&W for failure to meet completion deadlines and because other water companies face similar problems in complying with the deadlines imposed by the DER relative to the filtration of their water supplies, PG&W should be granted the requested extension and should not be subjected to any penalties for failure to complete the total filtration of all its water supplies by December 31, 1992. However, even if PG&W is ultimately assessed civil penalties for failure to meet the December 31, 1992, deadline specified in the Consent Order, it does not believe that any such penalties would have a material adverse effect on its operations or financial position.

Show Cause Order of Pennsylvania Public Utility Commission

On October 23, 1986, the PPUC entered an Order (the "1986 Show Cause Order") directing PG&W to show cause why it should not be fined for its failure to provide adequate, efficient, safe and reasonable water service and why PG&W should not be ordered to correct certain alleged operational deficiencies. Among the alleged operational deficiencies cited by the PPUC were PG&W's failure to filter all of the water it obtains from surface water supplies, its failure to examine the feasibility of constructing chlorine contact tanks at reservoirs as an interim measure pending the construction of filtration facilities, and its failure to recognize and develop plans for the problems caused by the interaction of its water with lead-lined service pipes. PG&W filed a response to the PPUC's 1986 Show Cause Order denying the allegations that it failed to provide adequate, efficient, safe and reasonable water service and pointing out that numerous actions had been taken or initiated to improve the quality of water supplied to its customers. After hearings on the matter before a PPUC Administrative Law Judge, an agreement to settle the proceedings initiated by the 1986 Show Cause Order was reached by PG&W and other parties and was subsequently approved by the PPUC on July 8, 1988.

The terms and conditions of such agreement provide, among other things, for PG&W to continue with planning and constructing the necessary facilities with the objective of providing for the total filtration of its water supplies by the end of 1992; to remove all lead-lined services from its water distribution system by the end of 1991 (which was accomplished); to install an average of 14 miles of pipe per year during the period 1988 through 1992 to replace existing water mains and to eliminate dead ends; to contribute up to $125,000 to a special fund to assist low and fixed income households in making plumbing repairs and alterations necessary to accommodate the installation of water meters; and to forego the common equity return on $900,000, amortized over a ten-year period ending in 1998, of the capital utilized in financing the construction of new water facilities.

Except for the reduction in revenues resulting from the forbearance of the common equity return on $900,000 of capital expenditures and the contributions it is required to make for plumbing repairs and alterations in connection with the installation of meters, PG&W does not believe that the settlement agreement will result in any adverse effect on its financial position, since the PPUC has allowed PG&W to recover in rates certain costs related to the aforementioned expenditures required under the terms of the settlement agreement. Additionally, while not all of PG&W's water supplies will be filtered by the end of 1992, PG&W does not believe that the failure to meet such date will result in any material penalty being imposed by the PPUC because PG&W has implemented and is in compliance with all of the other requirements of the settlement reached in connection with the 1986 Show Cause Order and is proceeding with the construction of facilities which will provide for the total filtration of its water supplies by late 1993.

Water Quality Complaints

Beginning on June 24, 1991, Old Forge Borough Council and several other government entities and officials in Lackawanna County, Pennsylvania, filed formal complaints with the PPUC alleging that because the quality of water service provided by PG&W to customers in the Scranton Water Rate Area was allegedly below the minimum standards of the PPUC prior to June 24, 1991, the rates charged for such service were unjust and unreasonable. The complainants request that the PPUC schedule hearings on the matter and order an award of refunds or set-offs of charges payable by customers in PG&W's Scranton Water Rate Area if it is found that the quality of such water service was inadequate and below the standards of the PPUC. The complainants also request that the PPUC make specific findings of liability for damages, injuries, consequential expenses and costs resulting from PG&W's alleged failure to provide adequate water service to customers in PG&W's Scranton Water Rate Area in order to permit the complainants to recover monetary compensation before the Lackawanna County Court of Common Pleas. PG&W filed a motion to dismiss the complaints on procedural grounds which was subsequently denied by the presiding PPUC Administrative Law Judge. Although it cannot be certain because these proceedings are in their earliest stages, PG&W believes that the complaints are without merit, that they have no legal basis, and that it will prevail in these actions.

Manufactured Gas Plant Sites

PG&W, like many gas distribution companies, once utilized manufactured gas plants in connection with providing gas service to its customers. None of these plants has been in operation since 1960, and several of the plant sites are no longer owned by PG&W. Pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), PG&W filed notices with the United States Environmental Protection Agency (the "EPA") with respect to the former plant sites. None of the sites is or was formerly on the proposed or final National Priorities List. The EPA has conducted site inspections and made preliminary assessments of each site and has concluded that no further remedial action is planned. While this conclusion does not constitute a legal prohibition against further regulatory action under CERCLA or other applicable federal or state law, PG&W does not believe that additional costs, if any, related to these manufactured gas plant sites will be material to its financial position.

Liquidity and Capital Resources

PG&W believes that based on its current financial projections, it will be able to achieve sufficient levels of earnings during 1992, as a result of the $15.0 million and $1.9 million water rate increases that were effective March 23, 1991, and January 30, 1992, respectively, the utilization of $22.0 million received from PEI on January 30, 1992, to repay a portion of its bank borrowings, and various cost reduction measures, to enable it to meet its interest and fixed charge coverage requirements and to give it the borrowing and other financing capability necessary for its working capital needs and planned construction program. If PG&W is not granted adequate future water rate increases in 1993 and subsequent years, it will be necessary for PG&W to take various actions to reduce expenditures in order to satisfy its interest and fixed charge coverage requirements and to maintain sufficient liquidity, and thereby lessen the amount of debt and equity capital which must be raised. Among other things, such actions could involve halting further work on PG&W's water treatment plants and other planned construction, which could result in a violation of the Consent Order and potential civil penalties.

Refinancing of Currently Maturing Long-Term Debt

In October, 1987, PG&W issued a promissory note in the principal amount of $50.0 million in connection with the issuance by the Luzerne County Industrial Development Authority ("Authority") of $50.0 million of 1987 Series A Exempt Facilities Revenue Bonds due 2017 ("1987 Series A Bonds). The 1987 Series A Bonds are secured by a letter of credit issued by Swiss Bank Corporation, New York Branch ("SBC") pursuant to a Letter of Credit Agreement dated as of October 1, 1987, as amended (the "SBC Letter of Credit") which will expire on October 20, 1992. The 1987 Series A Bonds are required to be secured by either a letter of credit or by other comparable credit enhancement throughout their term. If the SBC Letter of Credit is not extended or renewed and if PG&W is not able to secure a replacement letter of credit or obtain comparable credit enhancement, PG&W would be required to either collateralize the 1987 Series A Bonds or purchase or cause their redemption as of October 1, 1992. SBC has indicated to PG&W that currently it does not intend to extend or renew the SBC Letter of Credit. Accordingly, PG&W intends to pursue the two following alternatives in the following order: (i) obtain a replacement letter of credit or other comparable credit enhancement, and (ii) collateralize the 1987 Series A Bonds. However, there can be no assurance that PG&W will be successful in obtaining either alternative because it is more difficult now, in general, to obtain such credit enhancement and if such enhancement is not available, PG&W's lenders may be unwilling to consent to the release of collateral to secure the 1987 Series A Bonds. If PG&W were unable to obtain either of these two alternatives with respect to the 1987 Series A Bonds, PG&W would seek to issue approximately $50.0 million in first mortgage bonds or other long-term debt in order to finance the redemption or purchase of the 1987 Series A Bonds, which would, in such a circumstance, be due on October 1, 1992. While PG&W believes it will be able to successfully complete the sale of first mortgage bonds or other long-term debt, there can be no assurance that PG&W will be successful in completing such sale or in obtaining either of the two alternatives described above. The failure to successfully obtain any of such alternatives could, absent waivers, result in a default under the trust indenture dated as of October 1, 1987, between the Authority and Northeastern Bank of Pennsylvania, as trustee, pursuant to which the 1987 Series A Bonds were issued, cause cross-defaults under other debt instruments of PG&W and PEI and the potential acceleration of debt of PG&W and PEI, all of which would, if such acceleration occurs, have a material adverse effect on PEI and PG&W.

PEI presently has $19.0 million of debt outstanding under a Loan Agreement, dated as of December 1, 1989, as amended (the "Second LTCB Agreement"), between PEI and The Long-Term Credit Bank of Japan, Limited, New York Branch ("LTCB") and a Loan Agreement, dated as of January 18, 1990, as amended (the "FEB Agreement"), between PEI and First Eastern Bank, N.A. ("First Eastern"), which is due on July 15, 1992, and which it intends to repay with the proceeds from other borrowings. PG&W's existing revolving bank credit agreement (the "Credit Agreement") provides that in the event that PEI has not received by June 15, 1992, a commitment letter reasonably satisfactory to the banks who are parties to the Credit Agreement providing for a loan to PEI of at least $19.0 million, PG&W would become obligated, absent a waiver, to repay all amounts outstanding under the Credit Agreement on June 15, 1992. While PEI believes that it will be able to obtain a commitment letter satisfactory to the banks by June 15, 1992, there can be no assurance that it will be able to do so. In the event that PG&W is obligated to repay all amounts outstanding under the Credit Agreement on June 15, 1992, but is unable to do so or to obtain a waiver, PG&W would be in default under the Credit Agreement. Such default would, absent waivers, result in cross-defaults under other debt instruments of PG&W and the potential acceleration of other debt of PG&W, all of which would, if such acceleration occurs, have a material adverse effect on PEI and PG&W.

In addition, if PEI obtains such a commitment letter but does not actually receive the $19.0 million by July 15, 1992, PEI would be unable to repay its debt to LTCB and First Eastern on the July 15, 1992, due date. In such a circumstance, PEI would attempt to negotiate extensions of the due date of such debt in order to avoid a default under the terms of the Second LTCB Agreement and the FEB Agreement. A default would, absent waivers, cause cross-defaults under other debt instruments of PG&W and the potential acceleration of debt of PG&W, all of which would, if such acceleration occurs, have a material adverse effect on PG&W.

If PEI and PG&W were unable to successfully obtain any of the waivers described in the two preceding paragraphs, PEI and PG&W would seek to refinance or restructure the applicable debt obligations. If these efforts were unsuccessful and a substantial amount of PEI's and PG&W's debt was accelerated and became immediately due, PEI and PG&W might be forced to seek protection under federal bankruptcy laws.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table expresses certain items in PG&W's statements of income as percentages of total operating revenues for each of the three-month periods ended March 31, 1991, and March 31, 1992:

	Percentage of Operating Revenues Three Months Ended March 31,	
	1991	1992
OPERATING REVENUES:		
Gas	88.2%	83.5%
Water	11.8	16.5
Total operating revenues	100.0	100.0
OPERATING EXPENSES:		
Cost of gas	53.9	47.6
Other operation expenses	14.1	13.7
Maintenance and depreciation	6.6	7.0
Deferred treatment plant costs	(1.1)	-
Income and other taxes	10.8	13.8
Total operating expenses	84.3	82.1
OPERATING INCOME	15.7	17.9
OTHER INCOME, NET	0.1	0.3
INTEREST CHARGES	6.4	8.5
DIVIDENDS ON PREFERRED STOCK	1.5	1.5
EARNINGS APPLICABLE TO COMMON STOCK	7.9%	8.2%

Operating Revenues

Operating revenues of PG&W increased by $2.3 million (3.3%) from $68.4 million for the three-month period ended March 31, 1991, to $70.7 million for the three-month period ended March 31, 1992.

Gas operating revenues decreased by $1.3 million (2.2%) from $60.3 million for the three-month period ended March 31, 1991, to $59.0 million for the three-month period ended March 31, 1992, primarily as a result of a price decrease effective December 1, 1991, due to decreased costs of purchased gas. This decrease was partially offset by increased sales to residential heating and industrial customers. Although heating degree days were 4.2% lower than normal during the first quarter of 1992, they were 10.0% higher than in the similar quarter in 1991. Largely because of the colder weather and the addition of new customers, total gas deliveries for the quarter were 9.8% higher than in the corresponding quarter in 1991.

Water operating revenues increased by $3.6 million (44.8%) from $8.1 million for the three-month period ended March 31, 1991, to $11.7 million for the three-month period ended March 31, 1992. This increase was primarily the result of rate increases which the PPUC allowed PG&W effective March 23, 1991, for customers in the Scranton Water Rate Area, and effective January 30, 1992, for customers in the Spring Brook Water Rate Area served exclusively by the Nesbitt Water Treatment Plant. These increases are designed to produce additional annual revenue of $16.9 million, as more fully explained below under "Rate Matters."

Operating Expenses

Operating expenses, including depreciation and income taxes, increased $416,000 (0.7%) from $57.6 million for the three-month period ended March 31, 1991, to $58.0 million for the three-month period ended March 31, 1992. As a percentage of operating revenues, total operating expenses decreased from 84.3% during the first quarter of 1991 to 82.1% during the first quarter of 1992.

The cost of gas decreased by $3.2 million (8.7%) from $36.9 million for the three-month period ended March 31, 1991, to $33.7 million for the three-month period ended March 31, 1992. This decrease was the result of significantly decreased costs for purchased gas, the effect of which was partially offset by a 20.9% increase (2.3 billion cubic feet) in the volume of gas sold during the three-month period ended March 31, 1992, compared to the corresponding period in 1991. This increased volume was attributable to colder weather, the switching of certain industrial customers from transportation to sales service and the addition of new customers. Exclusive of charges related to take-or-pay costs absorbed by PG&W, which totaled $441,000 in the three-month period ended March 31, 1991, and $71,000 in the three-month period ended March 31, 1992, the gross margin on gas operations (gas operating revenues less the cost of gas) increased $1.5 million or 6.4% in 1992. This increase was primarily the result of increased sales to residential heating and industrial customers.

Other than the cost of gas and income taxes, operating expenses increased by $2.1 million (12.1%) from $17.7 million for the three-month period ended March 31, 1991, to $19.8 million for the three-month period ended March 31, 1992. This increase was largely attributable to a $957,000 increase in other taxes, principally as a result of tax rate increases enacted by the Commonwealth of Pennsylvania in August, 1991, and a $506,000 increase in depreciation, primarily as a result of capital additions and the change in March, 1991, from a 4% compound interest to a straight-line method of depreciation with respect to certain water plant. Also contributing to the increase was the absence of any deferred treatment plant costs, which totaled $765,000 in the first quarter of 1991. See "-Deferred Treatment Plant Costs and Interest."

Income taxes increased by $1.5 million (48.1%) from $3.1 million in 1991 to $4.6 million in 1992 due to a higher level of income before income taxes (for this purpose, operating income net of interest charges) and an increase in the state income tax rate enacted by the Commonwealth of Pennsylvania in August, 1991.

Deferred Treatment Plant Costs and Interest

As approved by an order of the PPUC entered September 5, 1990, PG&W has deferred all operating expenses, including depreciation and property taxes, and the carrying charges (equivalent to the allowance for borrowed funds used during construction) relative to the four new Scranton Area water treatment plants and related facilities from the dates of commercial operation of the plants until March 23, 1991, the effective date of the Scranton Area water rate increase approved by the PPUC on March 22, 1991. As of March 31, 1992, a total of $5.1 million of costs, consisting of $2.3 million of operating expenses and $2.8 million of carrying charges, had been so deferred. The deferral of these costs resulted in an increase in earnings for the three-month period ended March 31, 1991, of $981,000, net of related income taxes. PG&W intends to seek recovery of such amounts in its next rate increase request relative to the Scranton Water Rate Area, which it plans to file with the PPUC during the latter part of 1992. There is no clear precedent as to whether the PPUC is required to allow such recovery. Therefore, there can be no assurance that the PPUC will allow such recovery. However, the PPUC has, in a 1990 decision involving another Pennsylvania utility, allowed recovery, over a ten-year period, of deferred costs associated with the construction of a nuclear power plant on the basis that these costs were extraordinary and nonrecurring. PG&W believes that the deferred costs associated with the Scranton Area water treatment plants satisfy these criteria and should qualify for treatment similar to that accorded by the PPUC in the decision described above. On this basis, PG&W believes that the recovery of these costs will be allowed by the PPUC in future rate increases, although any recovery may be phased-in over an extended period of time. However, if such recovery is not allowed by the PPUC, which action in all likelihood would not occur prior to PG&W's 1993 fiscal year, PG&W would be required to write-off the deferred costs against income, which would reduce net income by approximately $3.0 million, net of the related income tax effect, for the period in which the write-off was recorded. Depending upon the level of PG&W's earnings at such time, the write-off could reduce earnings to a level which could violate certain financial covenants contained in certain debt instruments of PEI and PG&W and which could preclude PG&W from issuing additional debt and preferred stock. In such a case, PEI and PG&W would attempt to obtain waivers from their respective lenders. The failure to obtain such waivers could result in a default under such debt instruments and have a material adverse effect on PG&W. In addition, such a denial of the recovery of deferred costs would likely alter PG&W's current plan to similarly defer operating expenses and carrying charges in 1992, 1993 and 1994 following the respective anticipated completion of the three Spring Brook Area water treatment plants now under construction. Such a denial could also adversely affect the amount of dividends that PG&W would pay to PEI during the period the deferral would otherwise have occurred.

Operating Income

As a result of the above, total operating income increased by $1.9 million (17.4%) from $10.7 million for the three-month period ended March 31, 1991, to $12.6 million for the three-month period ended March 31, 1992, and increased as a percentage of total operating revenues from 15.7% in 1991 to 17.9% in 1992. Operating income from gas utility operations increased $711,000 (8.1%) from $8.8 million in 1991 to $9.5 million in 1992, due primarily to a $1.9 million increase in gross margin, the effect of which was partially offset by increases in depreciation, income and other taxes. Operating income from water utility operations increased $1.0 million from $2.3 million in 1991 to $3.3 million in 1992, due primarily to the $15.0 million increase in annual revenue which the PPUC allowed for customers in PG&W's Scranton Water Rate Area effective March

23, 1991, and the $1.9 million increase in annual revenue which it allowed effective January 30, 1992, for customers in the Spring Brook Water Rate Area served exclusively by the Nesbitt Water Treatment Plant. These increased revenues were partially offset by increased operating expenses, depreciation, income and other taxes.

Other Income, Net and Interest Charges

Other income, net increased from $87,000 in the three-month period ended March 31, 1991, to $176,000 in the three-month period ended March 31, 1992, primarily as a result of interest earned on the intercompany advance to PEI which was repaid on January 30, 1992.

Interest charges increased by $1.6 million (37.2%) from $4.4 million for the three-month period ended March 31, 1991, to $6.0 million for the three-month period ended March 31, 1992. This increase was largely attributable to increased borrowings to finance the construction of various additions and improvements to PG&W's water utility plant, and also reflects the absence of any deferred treatment plant interest in the first quarter of 1992. Partially offsetting this increase was a $186,000 (344.4%) increase in the allowance for borrowed funds used during construction in the three-month period ended March 31, 1992, to $240,000 from $54,000 in the three-month period ended March 31, 1991. This increase was due to a greater amount of construction work-in-progress, primarily as a result of the three water treatment plants currently under construction in the Spring Brook Water Rate Area.

Earnings Applicable to Common Stock

Earnings applicable to common stock increased $336,000 (6.2%) from $5.4 million ($1.47 per share) for the three-month period ended March 31, 1991, to $5.8 million ($1.55 per share) for the three-month period ended March 31, 1992. The increased earnings for the three-month period in 1992 was the result of the matters discussed above, primarily the increase in water operating revenues resulting from the rate increases which the PPUC allowed PG&W effective March 23, 1991, and January 30, 1992, as well as the increase in gross margin on gas sales as a result of higher levels of sales to residential heating customers.

RATE MATTERS

In accordance with the Pennsylvania Public Utility Code (the "Code"), PG&W files an annual purchased gas cost rate with the PPUC. From time to time, PG&W also files for adjustments to its gas and water rates to, among other reasons, recover interest charges and depreciation expenses relating to capital expenditures, recover increased operating expenses and make adjustments to existing surcharge rates approved by the PPUC.

The following is a summary of such filings, including the reasons for and the anticipated results thereof, which had an effect on the three-month periods ended March 31, 1991 and 1992.

Gas Rate Filings

Pursuant to the provisions of the Code which require that the tariffs of gas distribution companies, such as PG&W, be adjusted on an annual basis to reflect changes in their purchased gas costs, the PPUC ordered PG&W to make the following changes to the gas costs contained in its gas tariff rates on the dates indicated:

Effective Date	Change in Rate per Thousand Cubic Feet: From	Change in Rate per Thousand Cubic Feet: To	Calculated Increase (Decrease) in Annual Revenue
December 1, 1990	$3.02	$3.20	$ 4,200,000
December 1, 1991	3.20	2.46	(20,800,000)

Such changes in gas rates have no effect on PG&W's earnings since the change in revenue is offset by a corresponding change in the cost of gas.

On April 27, 1990, PG&W filed an application with the PPUC seeking approval to recover 90% ($13.9 million based on then current estimates) of its total take-or-pay liabilities, and $250,000 of related carrying costs, through billings to customers over a four-year period beginning June 1, 1990. The PPUC approved this application effective June 1, 1990. In connection with this approval, PG&W agreed to absorb a portion of its take-or-pay liabilities. The amount to be so absorbed by PG&W is currently estimated to range between $1.7 million and $1.9 million, of which $1.7 million had been charged to expense as of March 31, 1992. As of March 31, 1992, PG&W had billed $8.3 million of take-or-pay costs to its customers and had deferred $4.3 million of such costs, including related carrying charges, for future billing to customers.

Under terms of the PPUC's Order in respect of take-or-pay obligations, the surcharge by which PG&W bills its customers for take-or-pay costs is to be adjusted annually as of June 1 to reflect changes in PG&W's total estimated liability for take-or-pay costs (which is currently projected to be as much as $19.1 million) and the portion of such costs remaining to be recovered from its customers. In accordance therewith, PG&W has filed data with the PPUC requesting approval by the PPUC of an adjustment in PG&W's take-or-pay surcharge effective June 1, 1992, based on the $9.2 million of take-or-pay costs that PG&W currently estimates will remain to be collected from its customers as of such date.

Water Rate Filings

On June 8, 1990, PG&W filed an application with the PPUC seeking a water rate increase, designed to produce $25.5 million in additional annual revenue. This rate increase request involved the approximately 54,700 customers who are now being furnished water from the one previously existing and the four new water treatment plants in the Scranton Water Rate Area. In December, 1990, PG&W and certain parties filing objections to the rate increase request reached a settlement that provided for an approximate 110% rate increase designed to produce $15.0 million of additional annual revenue to be phased-in over a two-year period under the terms of a qualified phase-in plan, pursuant to Financial Accounting Standards Board ("FASB") Statement 92 entitled "Regulated Enterprises-Accounting for Phase-in Plans." The settlement provided that $10.2 million of the increased revenue (an approximate 75% increase in rates) was to be realized through an immediate rate increase and that the remaining $4.8 million of the increased revenue (an additional 35% increase in rates) was to be realized through another rate increase one year later (at the beginning of year two of the phase-in period). The settlement also specified that the $4.8 million in billings that would be deferred during the first year of the phase-in period was to be collected from customers in the form of a surcharge in years two through ten of the phase-in period. Finally, PG&W also agreed that it would not file for another general rate increase for the Scranton Water Rate Area prior to six months after the effective date of the second phase of the rate increase. By Order adopted March 22, 1991, the PPUC approved the settlement and permitted PG&W a water rate increase estimated to produce additional annual revenue of $15.0 million effective March 23, 1991. PG&W settled this proceeding for less than originally requested in order to obtain rate relief earlier than otherwise expected and to avoid the substantial expenses associated with further administrative and possible appellate proceedings. In accordance with the provisions of FASB Statement 92, PG&W commenced recording the entire $15.0 million increase in annual revenue allowed by the PPUC as additional revenue beginning March 23, 1991. However, pursuant to the terms of the settlement, PG&W deferred the billing of $4.8 million of the increased revenue recorded during the first year of the phase-in period (i.e., the period March 23, 1991, through March 22, 1992). Effective March 23, 1992, PG&W began to bill such amount by means of the surcharge that will be in effect in years two through ten of the phase-in period, and as of March 31, 1992, $1,600 had been so billed to its Scranton Water Rate Area customers.

On April 30, 1991, PG&W filed an application with the PPUC seeking a water rate increase, designed to produce $2.6 million in additional annual revenue. This rate increase request involved the approximately 14,300 customers in the Spring Brook Water Rate Area who are served exclusively by the Nesbitt Water Treatment Plant. PG&W and certain parties filing objections to the rate increase request reached a settlement that provided for a $1.9 million increase in annual revenue which the PPUC approved effective January 30, 1992. PG&W settled this proceeding for less than originally requested in order to avoid the substantial expenses associated with further administrative and possible appellate proceedings. On February 6, 1992, the OCA, a complainant in the rate proceeding and a signatory to the joint petition for settlement, filed a petition for reconsideration and clarification of the PPUC Order approving the settlement. On February 18, 1992, PG&W filed an answer to the OCA's petition. By Order entered February 27, 1992, the PPUC granted the OCA's petition and, as a result, the $1.9 million rate increase remains subject to further PPUC and possible appellate review. Although it cannot be certain, PG&W believes that the $1.9 million increase will not be rescinded in whole or in part or affected in any other way as a result of the OCA's petition.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The liquidity of PG&W is influenced significantly by the capital intensive nature of its operations and the ratemaking practices of the PPUC, which together effectively require external financing of a substantial portion of PG&W's construction expenditures. See "-Construction Expenditures and Related Financing" and "-Failure to Obtain Adequate Rate Relief and Successfully Complete Capital Market Issues." Additionally, because of the seasonal nature of its gas utility operations, it is necessary for PG&W to finance its gas purchases and increases in its customer accounts receivable with bank borrowings during certain periods of the year.

PG&W's ability to generate sufficient internal funds and to obtain the external funds that are required for its operations and construction expenditures is influenced significantly by the timing and amount of rate relief it is granted. This is a problem faced by all regulated utilities, and one that had been particularly acute with respect to PG&W because of the denial by the

PPUC in 1986, and again in 1988, as a result of water quality issues, of water rate increases requested by it. Nonetheless, PG&W has been able to generate and raise sufficient capital resources in the past, and believes that it will be granted sufficient rate relief to enable it to meet its future anticipated capital requirements, particularly in view of the increases in annual water revenue aggregating $20.2 million which the PPUC has granted PG&W since 1989 with respect to customers now being supplied with filtered water. PG&W also believes that additional rate increases will be allowed by the PPUC for the approximately 82,000 customers of PG&W who are now receiving filtered water and that increases will be granted with respect to its 48,000 other water customers, especially when they begin to receive filtered water within the next two years. The basis for such beliefs is the very low level of earnings that PG&W is currently realizing from its water utility operations and the expectation that with filtration, water quality should be less of a concern in its requests for water rate increases. Still, the scheduling of certain capital expenditures by PG&W, including an estimated $85.1 million of expenditures for various water supply and treatment facilities and associated distribution system improvements, as well as certain previously planned dam modifications, planned for the period through 1996, and also the $13.3 million of expenditures for the installation, replacement and rehabilitation of various water mains and service lines that are currently planned for the remainder of 1992, may be affected if PG&W is unable to raise the necessary capital in a timely manner because of inadequate levels of earnings. See "-Construction Expenditures and Related Financing" and "-Failure to Obtain Adequate Rate Relief and Successfully Complete Planned Capital Market Issues."

Because of limitations imposed by the terms of PG&W's preferred stock, PG&W is prohibited, without the consent of the holders of a majority of the outstanding shares of its preferred stock, from issuing more than $12.0 million of unsecured debt due on demand or within one year from issuance. PG&W had no unsecured debt due on demand or within one year from issuance outstanding as of March 31, 1992.

In addition, PG&W is prohibited from paying any dividends to PEI in the event of a default under certain of its debt instruments or failure to make any required dividend payments due holders of PG&W preferred stock. Furthermore, any failure to pay preferred stock dividends for four consecutive quarters will permit the holders of the PG&W preferred stock to elect a majority of the directors of PG&W.

The proceeds from the sale of PG&W's 9.57% First Mortgage Bonds in the principal amount of $50.0 million, which were issued on September 12, 1991, were used by PG&W to make a $15.0 million Intercompany Advance (the "Intercompany Advance") to PEI on that date and to repay $35.0 million of borrowings under the Credit Agreement.

As a result of the repayment by PEI of the $15.0 million Intercompany Advance on January 30, 1992, and its contribution of $7.0 million to PG&W on such date, PG&W believes it will be able to raise additional funds in the capital markets and thereby proceed with other financings planned for 1992. These financings include the issuance of $25.0 million of preferred stock and $30.0 million of first mortgage bonds, the sale of an additional $6.0 million of common stock to PEI and refinancings of maturing debt. PG&W expects such financings will provide sufficient funds for its working capital needs, as well as its construction program, through at least the first quarter of 1993. In addition, as of May 13, 1992, $38.8 million was available for borrowing by PG&W under the terms of the Credit Agreement.

PG&W believes that PEI will be able to issue the $30.0 million of long-term debt which will be necessary for PEI to repay the $19.0 million principal amount of its currently outstanding debt which is due on July 15, 1992, and also allow it to purchase the additional $6.0 million of PG&W common stock and to make the $4.0 million demand loan to PG&W that are currently planned for 1992. However, if PEI is unable to raise at least $19.0 million of such funds or to negotiate an extension to the Second LTCB Agreement and the FEB Agreement, PEI would be in default under the Second LTCB Agreement and the FEB Agreement. Such a default would, absent waivers, cause cross-defaults under debt instruments of PG&W and the potential acceleration of debt of PG&W, all of which would, if such acceleration occurs, have a material adverse effect on PEI and PG&W. Additionally, in the event that PEI does not obtain a commitment letter reasonably satisfactory to the banks parties to the Credit Agreement regarding the refinancing of the $19.0 million of its currently outstanding debt by June 15, 1992, PG&W would, absent a waiver, be obligated to repay all amounts outstanding under the Credit Agreement on June 15, 1992. See "-Current Maturities of Long-Term Debt and Preferred Stock."

Under the terms of each of the Letter of Credit Agreement dated as of January 1, 1989, as amended (the "NAB Agreement"), between PG&W and National Australia Bank, Limited, New York Branch ("NAB"); the Letter of Credit Agreement dated as of October 1, 1987, as amended (the "October 1987 SBC Agreement"), between PG&W and Swiss Bank Corporation, New York Branch ("SBC"); and the Letter of Credit Agreement dated as of December 1, 1987, as amended (the "December 1987 SBC Agreement"), between PG&W and SBC (collectively, the "Letter of Credit Agreements"), PG&W is required to maintain a minimum interest coverage ratio (generally defined as net income available for interest divided by actual debt interest expense) as of the end of each fiscal quarter for the immediately preceding twelve-month period. If PG&W fails to meet such minimum ratio for three consecutive fiscal quarters, a default will occur under the terms of the respective Letter of Credit Agreements. Although PG&W did meet the minimum ratio for the fiscal quarter ended March 31, 1992, required by the NAB Agreement, it did not meet the minimum ratio for such quarter that was required under the terms of the October 1987 SBC Agreement and the December 1987 SBC Agreement as then in effect. However, as a result of amendments to the October 1987 SBC Agreement and the December 1987 SBC Agreement dated May 11, 1992, by which the calculation of the interest coverage ratio under the terms of such agreements was modified effective March 31, 1992, PG&W has met the minimum interest coverage requirement of such agreements, as so amended, for the fiscal quarter ended March 31, 1992.

PG&W believes that based on its current financial projections, it will be able to achieve sufficient levels of earnings during 1992, as a result of the $15.0 million and $1.9 million water rate increases that were effective March 23, 1991, and January 30, 1992, respectively, the utilization of the $22.0 million received from PEI in January, 1992, to repay a portion of PG&W's bank borrowings, and various cost reduction measures, to enable it to meet its interest and fixed charge coverage requirements and to give it the borrowing and other financing capability necessary for its working capital needs and planned construction program. If PG&W is not granted adequate water rate increases in 1993 and subsequent years, it will be necessary for PG&W to take various actions to reduce expenditures in order to satisfy its interest and fixed charge coverage requirements and to maintain sufficient liquidity, and thereby lessen the amount of debt and equity capital which must be raised. Among other things, such actions could involve halting further work on PG&W's water treatment plants and other planned construction, which could result in a violation of the Consent Order and potential civil penalties.

Interim Financing Practices

It is the practice of PG&W to use bank borrowings to finance certain of its construction expenditures pending the periodic issuance of stock and long-term debt. Additionally, because of the seasonal nature of its gas utility operations, it is necessary for PG&W to finance its gas purchases and increases in its customer accounts receivable with bank borrowings during certain periods of the year.

In order to so finance construction expenditures and to meet its seasonal borrowing requirements, PG&W has made arrangements for a total of $45.0 million of revolving bank credit which is due on April 30, 1993. Specifically, on April 25, 1991, PG&W entered into the Credit Agreement with the various banks with which it had previously arranged lines of credit. The purpose of the Credit Agreement was to consolidate PG&W's existing bank lines of credit, to provide for uniform terms relative to its bank borrowings and to extend the due dates of such borrowings. As such, the Credit Agreement superseded PG&W's individual bank lines of credit. The interest rate on borrowings under the Credit Agreement is the reference (i.e. prime) rate as established from time to time by Chemical Bank (currently 6-1/4% per annum). The Credit Agreement also requires the payment of a commitment fee of 1/2 of 1% per annum on the average daily amount of the unused portion of the available funds.

Current Maturities of Long-Term Debt and Preferred Stock

As of March 31, 1992, $7.5 million of PG&W preferred stock and long-term debt was required to be repaid within twelve months. In addition, the $50.0 million SBC Letter of Credit which currently secures the 1987 Series A Bonds will expire in October, 1992. The 1987 Series A Bonds are required to be secured by either a letter of credit or by other comparable credit enhancement throughout their term. If, at any time, the 1987 Series A Bonds were not to be so secured, PG&W would be required either to collateralize the 1987 Series A Bonds or to purchase or cause their redemption. The SBC Letter of Credit was issued pursuant to the October 1987 SBC Agreement. The October 1987 SBC Agreement will expire on October 20, 1992, and SBC has indicated to PG&W that currently it does not intend to extend or renew the SBC Letter of Credit. If the SBC Letter of Credit is not extended or renewed and if PG&W is not able to secure a replacement letter of credit or obtain a comparable credit enhancement, PG&W would be required either to collateralize the 1987 Series A Bonds or to purchase or cause their redemption as of October 1, 1992. PG&W intends to attempt first to obtain a replacement letter of credit or other comparable credit enhancement, and if unsuccessful to collateralize its obligation under the 1987 Series A Bonds. However, there can be no assurance that PG&W will be successful in obtaining either alternative because it is more difficult now, in general, to obtain a credit enhancement and if a credit enhancement is not available, PG&W's lenders may be unwilling to consent to the release of collateral to secure the 1987 Series A Bonds. If PG&W were unable to obtain either alternative, it would seek to sell approximately $50.0 million of first mortgage bonds or other long-term debt in order to finance the redemption or purchase of the 1987 Series A Bonds, which would, in such a circumstance, have to be consummated on or prior to October 1, 1992. While PG&W believes it will be able to successfully complete the sale of first mortgage bonds or other long-term debt, there can be no assurance that it will be successful in completing such sale or in obtaining either of the two alternatives described above. The failure to refinance the 1987 Series A Bonds or to obtain any of such alternatives would, absent waivers, result in a default under the trust indenture dated as of October 1, 1987, between the Authority and Northeastern Bank of Pennsylvania, as trustee, pursuant to which the 1987 Series A Bonds were issued, cause cross-defaults under other debt instruments of PG&W and PEI and the potential acceleration of debt of PG&W and PEI, all of which would, if such acceleration occurs, have a material adverse effect on PEI and PG&W.

PEI presently has $19.0 million of debt outstanding pursuant to the Second LTCB Agreement and the FEB Agreement which is due on July 15, 1992, and which it intends to repay with the proceeds from other borrowings. PG&W's Credit Agreement provides that in the event PEI has not received by June 15, 1992, a commitment letter reasonably satisfactory to the banks who are parties to the Credit Agreement providing for a loan to PEI of at least $19.0 million, PG&W would become obligated, absent a waiver, to repay all amounts outstanding under the Credit Agreement on June 15, 1992. While PEI believes that it will be able to obtain a commitment letter satisfactory to the banks by June 15, 1992, there can be no assurance that it will be able to do so. In the event that PG&W is obligated to repay all amounts outstanding under the Credit Agreement on June 15, 1992, but is unable to do so or to obtain a waiver, PG&W would be in default under the Credit Agreement. Such default would, absent waivers, result in cross-defaults under other debt instruments of PG&W and the potential acceleration of other debt of PG&W, all of which would, if such acceleration occurs, have a material adverse effect on PEI and PG&W.

In addition, if PEI obtains such commitment letter but does not actually receive the $19.0 million by July 15, 1992, PEI would be unable to repay its debt to LTCB and FEB on the July 15, 1992, due date. In such a circumstance, PEI would attempt to negotiate extensions of the due date of such debt in order to avoid a default under the Second LTCB Agreement and the FEB Agreement. A default under such debt instruments would, absent waivers, cause cross-defaults under other debt instruments of PG&W and the potential acceleration of debt of PG&W, all of which would, if such acceleration occurs, have a material adverse effect on PEI and PG&W.

If PEI and PG&W were unable to successfully obtain any of the waivers described in the two preceding paragraphs, PEI and PG&W would seek to refinance or restructure the applicable debt obligations. If these efforts were unsuccessful and a substantial amount of PEI's and PG&W's debt was accelerated and became immediately due, PEI and PG&W might be forced to seek protection under federal bankruptcy laws.

PG&W believes that it will have sufficient cash flow and borrowing capacity to repay current maturities of its preferred stock and long-term debt and to meet its other obligations, based on its present earnings capability and its Credit Agreement. However, the continuing adequacy of the sources of funds described above could also be adversely affected by the timing and amount of rate relief which PG&W is granted by the PPUC, and by the inability of both PEI and PG&W to raise additional funds in the capital markets. See "-Failure to Obtain Adequate Rate Relief and Successfully Complete Planned Capital Market Issues."

Capital Stock Financing

On January 30, 1992, PG&W received a total of $22.0 million from PEI representing repayment of the $15.0 million Intercompany Advance and a $7.0 million contribution by PEI to PG&W. PG&W utilized such funds to repay bank borrowings which had been incurred primarily to finance construction expenditures.

On March 23, 1992, PG&W issued to PEI 171,779 shares of its common stock, without nominal or par value, with a stated value of $10 per share, for aggregate net proceeds of approximately $7.0 million. These shares represented capitalization of the $7.0 million contribution made by PEI to PG&W on January 30, 1992, which had been temporarily treated as an intercompany advance pending approval by the PPUC of the issuance of shares of common stock relative to such contribution.

Construction Expenditures and Related Financing

Expenditures for the construction of utility plant totaled $8.5 million during the first three months of 1992 and are estimated to be $66.5 million during the remainder of the year. The construction of water facilities by PG&W during 1992, currently estimated to cost $59.5 million, is being largely financed by internally-generated funds and bank borrowings, pending the periodic issuance of stock and long-term debt. The construction of gas facilities by PG&W in 1992, currently estimated to cost $15.5 million, is also being financed by internally-generated funds and bank borrowings, pending the periodic issuance of stock and long-term debt.

Failure to Obtain Adequate Rate Relief and Successfully Complete Planned Capital Market Issues

If PG&W is unable to obtain adequate rate relief in future rate increase applications filed with the PPUC and if the debt and equity issues planned by PG&W over the next several years are not successfully completed, PG&W would be forced to minimize cash expenditures by, among other actions, curtailing or deferring work on the final two water treatment plants and other capital projects, considering the sale of selected assets, reducing its operating expenses by, among other things, laying off personnel and reducing fringe benefits for employees and retirees, all of which could negatively impact the quality and reliability of services rendered to the public by PG&W. If PG&W were forced to curtail or defer work on the final two water treatment plants or any other significant expansion or improvement to its gas and water operations, future rate increases and resulting improvements in earnings might be delayed, and this delay could, in turn, impede the ability of PEI and PG&W to raise additional debt and equity capital which could result in a violation of the Consent Order and could subject PG&W to fines and other penalties imposed by regulatory agencies. Additionally, lenders to PEI and PG&W would have to agree to amend certain debt instruments to avoid defaults and the acceleration of maturities of certain debt, to refinance or extend maturing debt, and/or to develop debt restructuring plans. For a discussion of the effect of cross-default provisions on PG&W, see "-Current Maturities of Long-Term Debt and Preferred Stock."

PG&W believes it will be able to obtain adequate rate relief, although there can be no assurance that such rate relief will be obtained. However, if PG&W were unable to obtain adequate rate relief from the PPUC in future applications under circumstances where PG&W believed that it was entitled as a matter of law to such rate relief, PG&W would file appropriate appeals with the Commonwealth Court of Pennsylvania claiming that, contrary to law, the PPUC by its actions had denied PG&W an opportunity to earn a fair rate of return on its prudent investment in property which is used and useful in providing public utility service. PG&W also believes that PEI and PG&W will successfully complete the planned debt and equity issuances, but there can be no assurance that such debt and equity issuances will be successfully completed.

Deferred Income Tax Liabilities

In February, 1992, Financial Accounting Standards Board (FASB) Statement 109 "Accounting for Income Taxes," which supersedes previously issued income tax accounting standards, was issued. The provisions of this statement, which PG&W will adopt in 1993, are not expected to have a significant effect on PG&W's results of operations since, under existing federal law, the excess deferred taxes presently recorded will be returned to ratepayers over the average remaining lives of the property originally giving rise to those taxes. The provisions of FASB Statement 109 will, however, require PG&W to record the deferred tax liabilities on certain timing differences which have not previously been recorded because of the regulatory rate practices of the PPUC. These deferred tax liabilities will be offset by an asset representing the probable future rate recovery of such liabilities.

Postretirement Benefits

In December, 1990, FASB Statement 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" was issued. The provisions of this statement, which PG&W must adopt in 1993, will require it to record the cost of retiree health care and life insurance benefits as a liability over the employees' active service periods instead of on a benefits paid basis as is its current practice. Preliminary actuarial studies indicate that PG&W's unfunded accumulated obligation for postretirement benefits other than pensions (the "transition obligation") will approximate $32.2 million as of January 1, 1993, and that PG&W's accrued costs for postretirement benefit obligations other than pensions, including amortization of the transition obligation, will be approximately $5.3 million in 1993, based on the provisions of FASB Statement 106. These amounts are preliminary estimates. PG&W is continuing to review various assumptions and alternatives which may significantly reduce such estimates. On a benefits paid basis (PG&W's current practice), the estimated cost of such benefits in 1993 would be approximately $1.2 million. Nevertheless, the provisions of FASB Statement 106 are not expected to have a significant effect on PG&W's results of operations, since PG&W expects that the PPUC will authorize PG&W to recover in rates the additional costs which will be accrued pursuant to the provisions of FASB Statement 106. However, there can be no assurance that the PPUC will permit the recovery of such costs because the PPUC has not yet ruled on this issue. If the PPUC does not authorize the recovery of such costs, or authorizes only the recovery of a portion of those costs, PG&W's net income would be reduced beginning in 1993 by the difference between the annual cost of such benefits allowed in rates and the expense required under FASB Statement 106. Based on preliminary actuarial evaluations, if the PPUC does not authorize the recovery of any of such costs, this difference in 1993 would be approximately $4.1 million and would reduce net income of PG&W in 1993 by as much as $2.4 million, net of related income taxes. Depending upon the level of PG&W's earnings, such additional expense could reduce its earnings to a level which could violate certain financial covenants contained in the debt instruments of PEI and PG&W and which could preclude PG&W from issuing additional debt and preferred stock. In such a case, PEI and PG&W would attempt to obtain waivers from the lenders or amendments to the applicable covenants. The failure to obtain such waivers or amendments could result in a default under such debt instruments and have a material adverse effect on PG&W.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to Item 3 of Part I of PG&W's Annual Report on Form 10-K for the year ended December 31, 1991.

Construction Litigation

On April 22, 1992, a complaint was filed in the Court of Common Pleas of Lackawanna County, Pennsylvania by the Quandel Group, Inc. ("Quandel") against PG&W in connection with the construction of PG&W's Brownell Water Treatment Plant. Specifically, Quandel, the general contractor for this project, alleges that (i) PG&W has not paid Quandel for work in connection with certain change orders issued by PG&W, (ii) PG&W has not paid Quandel for work done beyond the requirements of its contract to remediate defects resulting from improper designs furnished by PG&W, and (iii) on account of breaches by PG&W, Quandel could not complete the work to be done under the contract within the agreed contract period and was forced to incur additional costs in performing such work for which it has not been compensated. Quandel seeks approximately $1.3 million in damages plus interest. Although it cannot be certain because this proceeding is in its earliest stages, PG&W believes that this complaint is without merit and that it will prevail in this action. Furthermore, PG&W believes that in the event it does not prevail in this action, Gannett-Fleming Water Resources Engineers, Inc., the designer of the project, will be responsible for part of any damages that may be awarded. In addition, PG&W believes that a substantial portion of any amounts it might be required to pay as a result of this action would be recoverable in future rates as costs properly associated with the construction of water treatment facilities.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10-1 Amendment No. 3, dated as of May 11, 1992, to October 1987 Reimbursement Agreement between Pennsylvania Gas and Water Company and Swiss Bank Corporation, New York Branch - filed herewith.

10-2 Amendment No. 3, dated as of May 11, 1992, to December 1987 Reimbursement Agreement between Pennsylvania Gas and Water Company and Swiss Bank Corporation, New York Branch - filed herewith.

(b) No reports on Form 8-K have been filed during the quarter for which this report is filed.

PENNSYLVANIA GAS AND WATER COMPANY

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

PENNSYLVANIA GAS AND WATER COMPANY
(Registrant)

Date: May 13, 1992

By: Thomas J. Ward
Thomas J. Ward
Secretary

Date: May 13, 1992

By: John F. Kell Jr.
John F. Kell, Jr.
Vice President and Controller
(Principal Financial Officer and
Principal Accounting Officer)

EXHIBIT 10-1

AMENDMENT NO. 3 TO OCTOBER 1987 REIMBURSEMENT AGREEMENT

AMENDMENT NO. 3 (this "Amendment") dated as of May 11, 1992 by and between PENNSYLVANIA GAS AND WATER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania (the "Company"), and SWISS BANK CORPORATION, NEW YORK BRANCH (the "Bank").

WITNESSETH:

WHEREAS, the Company and the Bank have heretofore entered into a Letter of Credit Agreement dated as of October 1, 1987, as amended by an Amendment No. 1 to October 1987 Reimbursement Agreement dated as of September 10, 1991 and an Amendment No. 2 to October 1987 Reimbursement Agreement dated as of December 13, 1991 (as amended, the "Letter of Credit Agreement") pursuant to which the Bank has issued its irrevocable letter of credit to support certain payments in respect of the Luzerne County Industrial Development Authority Exempt Facilities Revenue Bonds, 1987 Series A (Pennsylvania Gas and Water Company Project); and

WHEREAS, the Company and the Bank desire to further amend the Letter of Credit Agreement;

NOW, THEREFORE, the parties hereto agree as follows:

1. Defined terms. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings assigned to such terms in the Letter of Credit Agreement (as amended and supplemented from time to time).

2. Amendment. The Letter of Credit Agreement is hereby amended as follows:

Paragraph 5S of the Letter of Credit Agreement is hereby amended by (i) deleting the word "plus" in the fifth line thereof and inserting in lieu thereof the words ", other interest charges of the Company (to the extent deducted in determining EBIT), and" and (ii) deleting the words "both cases" in the seventh line thereof and inserting in lieu thereof the words "each case".

3. Effectiveness. The amendments contained herein shall be effective as of March 31, 1992.

4. Governing Law. This Amendment is being delivered and is intended to be performed in the State of New York, and shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of such State.

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed by their duly authorized officers as of the 11th day of May 1992.

PENNSYLVANIA GAS AND WATER COMPANY

By John F Kell Jr
Name: John F. Kell, Jr.
Title: Vice President and Controller

SWISS BANK CORPORATION, NEW YORK
BRANCH

By
Name:
Title: John A. McCall
Vice President

By Marcia Burkey
Name: Marcia B. Burkey
Title: Assistant Vice President

EXHIBIT 10-2

AMENDMENT NO. 3 TO DECEMBER 1987 REIMBURSEMENT AGREEMENT

AMENDMENT NO. 3 (this "Amendment") dated as of May 11, 1992 by and between PENNSYLVANIA GAS AND WATER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania (the "Company"), and SWISS BANK CORPORATION, NEW YORK BRANCH (the "Bank").

WITNESSETH:

WHEREAS, the Company and the Bank have heretofore entered into a Letter of Credit Agreement dated as of December 1, 1987, as amended by an Amendment No. 1 to December 1987 Reimbursement Agreement dated as of September 10, 1991 and an Amendment No. 2 to December 1987 Reimbursement Agreement dated as of December 13, 1991 (as amended, the "Letter of Credit Agreement") pursuant to which the Bank has issued its irrevocable letter of credit to support certain payments in respect of the Luzerne County Industrial Development Authority Exempt Facilities Revenue Bonds, 1987 Series B (Pennsylvania Gas and Water Company Project); and

WHEREAS, the Company and the Bank desire to further amend the Letter of Credit Agreement;

NOW, THEREFORE, the parties hereto agree as follows:

1. Defined terms. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings assigned to such terms in the Letter of Credit Agreement (as amended and supplemented from time to time).

2. Amendment. The Letter of Credit Agreement is hereby amended as follows:

Paragraph 5S of the Letter of Credit Agreement is hereby amended by (i) deleting the word "plus" in the fifth line thereof and inserting in lieu thereof the words ", other interest charges of the Company (to the extent deducted in determining EBIT), and" and (ii) deleting the words "both cases" in the seventh line thereof and inserting in lieu thereof the words "each case".

3. Effectiveness. The amendments contained herein shall be effective as of March 31, 1992.

4. Governing Law. This Amendment is being delivered and is intended to be performed in the State of New York, and shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of such State.

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed by their duly authorized officers as of the 11th day of May 1992.

PENNSYLVANIA GAS AND WATER COMPANY

By John F Kell, Jr
Name: John F. Kell, Jr.
Title: Vice President and Controller

SWISS BANK CORPORATION, NEW YORK
BRANCH

By____________________________
Name: John A. McCal
Title: Vice President

By Marcia Burkey
Name: Marcia B. Burkey
Title: Assistant Vice President

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MANUALLY SIGNED

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For Quarter Ended . . . . March 31, 1992

Commission file number 0-13653

The Peoples BancTrust Company, Inc.
(Exact name of registrant as specified in its charter)

P92-2229

Alabama	63-0896239
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

310 Broad Street
Selma, Alabama
36701

(Address of principal executive offices)

(205) 875-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter time period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No _____

As of the close of business on May 6, 1992, 825,878 shares of registrant's Common Stock, par value $.10 per share, were outstanding.

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THE PEOPLES BANCTRUST COMPANY, INC.
AND SUBSIDIARY

Note to Consolidated Financial Statements (Unaudited)

The accompanying unaudited consolidated financial statements of The Peoples BancTrust Company, Inc. (the "Company") and its wholly-owned subsidiary, The Peoples Bank and Trust Company, have been prepared in accordance with generally accepted accounting principles for interim information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ended December 31, 1992. For further information refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

THE PEOPLES BANCTRUST COMPANY, INC., SELMA, ALABAMA

CONDENSED CONSOLIDATED BALANCE SHEETS

	In thousands	
	3/31/92	12/31/91
ASSETS		
Cash and due from banks	$16,437	$13,449
Federal funds sold and securities purchased under agreement to resell	13,453	3,638
Interest-bearing deposits in other banks	8,906	7,356
Total cash and cash equivalents	38,796	24,443
Investment securities, (market value of $55,576 and $69,873 respectively)	55,489	68,345
Loans, net	118,686	120,048
Premises and equipment	3,474	3,533
Other assets	4,057	4,853
Total assets	$220,502	$221,222
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	$25,249	$26,732
Interest-bearing	167,510	166,344
Short-term borrowing:		
Federal funds purchased and securities sold under agreement to repurchase	1,024	1,644
Other liabilities	2,150	2,439
Total liabilities	195,933	197,159
Common stock	826	826
Additional paid-in capital	4,378	4,378
Retained earnings	19,365	18,859
Total stockholders' equity	24,569	24,063
Total liabilities and stockholders' equity	$220,502	$221,222

THE PEOPLES BANCTRUST COMPANY, INC., SELMA, ALABAMA

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	In Thousands 3 months ended 3/31	
Item	1992	1991
Interest and fees on loans	$2,906	$3,429
Interest and dividends on investment securities	1,264	1,197
Other interest income	142	266
Total interest income	4,312	4,892
Interest on deposits	2,043	2,723
Interest on short-term borrowing	9	12
Total interest expense	2,052	2,735
Net interest income	2,260	2,157
Provision for loan losses	230	228
Net interest income after provision for loan losses	2,030	1,929
Other income	907	529
Other expense	2,242	1,979
Income before income tax expense	695	479
Income tax expense	189	163
Net income	$506	$316
Weighted average number of shares outstanding	825,878	825,878
Net income per share	$.61	$.38
Dividends per share	$.00	$.00

THE PEOPLES BANCTRUST COMPANY, INC.. SELMA, ALABAMA
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	IN THOUSANDS	
	3 months ended 3/31	
	1992	1991
Net cash provided by operating activities	593	262
Cash flows from investing activities:		
Proceeds from sales of investment securities	28,692	2,011
Proceeds from maturities and calls of investment securities	12,241	8,755
Purchases of investment securities	(27,721)	(10,500)
Net decrease in loans	572	1,851
Purchases of bank premises and equipment	(78)	(315)
Proceeds from sale of equipment	7	11
Proceeds from sale of other real estate	40	96
Net decrease in bankers acceptances	943	6,837
Net cash used by investing activities	14,696	8,746
Cash flows from financing activities:		
Net increase (decrease) in deposits	(316)	1,771
Decrease in short term borrowings	(620)	(332)
Net cash provided by financing activities	(936)	1,439
Net increase in cash and cash equivalents	14,353	10,447
Cash and cash equivalents at beginning of year	24,443	16,221
Cash and cash equivalents at 3/31	38,796	26,668
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	2,154	2,599
Taxes	461	396

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition

Total consolidated assets of The Peoples BancTrust Company, Inc. and its subsidiary, The Peoples Bank & Trust Company (the Company), were $220,502,000 at March 31, 1992. Total assets have, therefore, declined $720,000 since the December 31, 1991 total of $221,222,000.

Earning assets at March 31, 1992, totaled $196,534,000, a decrease of $2,853,000 since year-end 1991. The most significant change occurred in the volume of investment securities, which decreased $12,856,000 since December 31, 1991. During the first quarter of 1992, $23,500,000 of U.S. Treasuries and agencies and corporate securities whose maturities reached out one and a half years were sold to extend the yield curve upward to four and five years. Due to the slope of the yield curve and the premiums on short bonds, the Company was able to increase its portfolio yield and maintain liquidity. Gains on the sale of investment securities totaled $391,000 for the first quarter of 1992. As a result of the decrease in the volume of the investment securities portfolio, the volume of Federal Funds sold and interest-bearing deposits in other institutions increased $10,300,000 and $1,551,000 since year-end 1991. The volume of net loans and banker's acceptances declined $420,000 and $943,000 respectively since December 31, 1991.

Total interest bearing deposits of the company grew $1,217,000 or .73%, during the first quarter of 1992. The volume of regular savings deposits grew from $19,300,000 at year-end to $21,622,000 at March 31, 1992, a 12% increase. This growth can be attributed to a shift in funds from time deposit accounts under $100,000 which decreased $3,661,000 in volume during the first quarter of 1992. Interest rates paid on time deposits have fallen approximately 188 basis points from the same time last year. Management believes that many customers chose to invest their maturing time deposits in more liquid savings accounts until such time as interest rates began to rise. Many others reinvested their funds in annuities available through the Company's insurance subsidiary.

Total stockholders' equity has increased $506,000 during the first quarter through the retention of current year's earnings. The Financial Institutions' Reform and Recovery Act of 1989 required that by December 31, 1990, all bank holding companies and banks achieve and maintain a minimum total capital to total risk-weighted assets ratio of 7.25%, at least half of which must be core capital. The Company's core capital ratio and total capital ratio at March 31, 1992 were 16.94% and 17.78%, respectively. The Company, therefore, exceeds the requirements of the regulation by 13.315% and 10.53% respectively. The Company maintained at March 31, 1992, a leverage ratio of core capital to total assets of 11.10% compared to the minimum regulatory requirement of 3.00%.

Numerous financial institutions throughout the United States have recently incurred losses due to significant increases in loan loss provision and charge-offs resulting largely from higher levels of loan delinquencies and foreclosures. These depressed real estate market conditions have adversely affected the financial condition and businesses of many of the financial institutions doing business in these areas. The Company's real estate market area has been slow for a number of years. Considerable uncertainty exists as to the future improvement or deterioration of the Company's real estate market and the ultimate impact the economy may have on the Company.

As a result of the declines in real estate market values and the significant losses experienced by many financial institutions, there has been a greater level of scrutiny by regulatory authorities of the loan portfolio of financial institutions, undertaken as a part of the examination of such institutions. Federal and state regulators may apply more conservative criteria in evaluating real estate market values, requiring significantly increased provisions for potential loan losses. The Company believes it has established its existing allowances for loan losses in accordance with generally accepted accounting principles. However, there can be no assurance that regulators, in reviewing the Company's loan portfolio, will not in the future request the Company to increase its allowance for loan losses, thereby negatively impacting the Company's financial condition and earnings.

Results of Operations

THREE MONTHS ENDED MARCH 31, 1992 COMPARED TO THREE MONTHS ENDED MARCH 31, 1991

Interest income for the first quarter of 1992 was $4,312,000, compared to $4,892,000 for the corresponding quarter in 1991. Interest income on loans dropped $388,000 for the first quarter of 1992 as the average volume of loans declined $951,000 and yields fell 128 basis points. As interest rates earned on Federal Funds sold and bankers acceptances dropped during the first quarter of 1992, these funds were shifted into the investment securities portfolio and into interest-bearing deposits accounts at other institutions. This is evidenced by a decline in the average volume of Federal Funds sold from $16,335,000 in 1991 to $3,491,000 in 1992 and a decline in bankers acceptances from $10,897,000 to $5,897,000. The average volume of interest-bearing deposits increased $9,499,000 to $9,599,000 during the same time. The average volume of investment securities grew from $58,549,000 in 1991 to $68,498,000 in 1992, although the actual volume at the end of the first quarter of 1992 was down due to the sale of a portion of the portfolio discussed previously. Therefore, interest income on Federal Funds sold and bankers acceptances decreased $216,000 and $134,000 respectively, while income on investment securities and interest-bearing deposits increased $67,000 and $98,000 respectively.

Interest expense on deposits for the first quarter of 1992 was $2,043,000 compared to $2,723,000 for the same period in 1991. The average volume of deposits increased $1,087,000 between the quarters although the average interest rates customers earned on these funds fell 166 basis points. The average volume of time deposits decreased almost $3,000,000. Depositors apparently moved their funds into more liquid deposit accounts pending a rise in interest rates. Regular savings account and NOW account increased $1,915,000 and $1,490,000 respectively in average volume.

The resulting net interest income for the first quarter of 1992 was $2,260,000 compared to $2,157,000 for the same quarter in 1991, a 4.78% increase.

Non-interest income for 1992, excluding gains from the sale of investment securities, totaled $516,000 as compared to $518,000 in 1991. In 1992, the Company disposed of certain items of computer equipment resulting in a loss of $7,000. This represents a comparative decrease of $18,000 from 1991 when the sale of fixed assets resulted in an $11,000 gain. Credit life commissions also decreased $15,000 in 1992. Offsetting these decreases in non-interest income was an increase in deposit service charges from $349,000 in 1991 to $366,000 in 1992. Income from the Company's Brokerage Department and insurance subsidiary also increased in 1992, $18,000 and $12,000 respectively.

Non-interest expense rose $263,000 during the first quarter of 1992 to $2,242,000. This compares to $1,979,000 for the same quarter in 1991. The increase was primarily the result of charge-offs of other real estate owned which totaled $225,000 in 1992. The purchase of new computer equipment and the opening of a new branch in 1991 has resulted in additional depreciation expense on furniture and fixtures. Total expense of furniture and fixtures for 1992 was $40,000 more than in 1991. The Company's expense for FDIC insurance has also increased since the first quarter of 1991. These premiums totaled $108,000 for 1992 year-to-date compared to $89,000 for 1991. Expenses of other real estate owned and legal fees incurred in the collection of bad debts decreased $27,000 and $11,000 respectively.

Income before taxes at March 31, 1992 was $695,000 compared to $479,000 at March 31, 1991. Income taxes increased $26,000 resulting in a net income for the first quarter of $506,000, a 60.1% increase over the 1991 first quarter income of $316,000. Income per share for 1992 was $.61 compared to $.38 for 1991.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

(a) The Annual Meeting of Shareholders of the Company was held on April 14, 1992.

(b) The following persons were elected as directors of the Company to serve until the next annual meeting of the shareholders: Julius R. Brown, Wallace A. Buchanan, William R. Buster, Jr., Clyde B. Cox, Jr., Patricia B. Compton, Harry W. Gamble, Jr., Ted M. Henry, Elam P. Holley, Jr., A.D. Lovelady, James A. Minter, III, Richard P. Morthland, C. Ernest Smith, Julius E. Talton, and Clinton S. Wilkinson, Jr.

(c) The following other matters were considered and voted upon at the Annual Meeting:

(1) A proposed amendment to Article IV of the Articles of Incorporation to increase the Company's authorized capital stock to 5,000,000 shares, of which 4,000,000 shares shall be Common Stock, par value $.10 per share, and 1,000,000 shares shall be Preferred Stock, par value $.10 per share, was approved by a vote of 654,377 shares in favor and 23,181 shares against.

(2) A Stock Option Plan for key employees of the Company and its subsidiaries was approved by a vote of 652,204 shares in favor and 24,108 against.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

The Peoples BancTrust Company, Inc.
(Registrant)

Richard P. Morthland
Richard P. Morthland, President

Virginia L. Sellers
Virginia L. Sellers, Treasurer

DATE: May 12, 1992

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED MARCH 31, 1992. COMMISSION FILE NUMBER 0-2528

POCONO HOTELS CORPORATION

DELAWARE 51-0099503

1209 ORANGE STREET, WILMINGTON, DELAWARE 19801

REGISTRANT'S TELEPHONE NUMBER: (302) 658-7581

NONE

FORMER NAME, ADDRESS AND FORMER FISCAL YEAR

Indicate by check mark whether the registrant
(1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months, and
(2) has been subject to such filing requirements for the past 90 days.

YES ✓ NO____

THE NUMBER OF SHARES OUTSTANDING OF POCONO HOTELS CORPORATION:

Preferred Stock $100 par value	9,423 shares
Common Stock no par value	9,812 shares

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POCONO HOTELS CORPORATION

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Consolidated Statement of Cash Flows Three Months Ended March 31, 1992 & 1991	4
Notes to Consolidated Condensed Financial Statements	5
Management's Discussion and Analysis of the Consolidated Condensed Statements of Loss	6
Exhibit A - Computation of Earnings Per Common Share	7
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POCONO HOTELS CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEET

	MARCH 31 1992	DEC. 31 1991
ASSETS		
CURRENT ASSETS		
CASH	$53,934	$22,258
MONEY MARKET FUNDS	45,965	46,606
CASH - ESCROW DEPOSITS	146,200	0
ACCOUNTS RECEIVABLE - NET	136,916	333,098
INVENTORIES	1,277,661	1,278,830
PREPAID EXPENSES	158,467	209,180
TOTAL CURRENT ASSETS	$1,819,143	$1,889,972
PROPERTY, PLANT AND EQUIPMENT	$13,302,546	$13,204,441
LESS: ACCUMULATED DEPRECIATION	9,603,474	9,483,474
TOTAL PROPERTY, PLANT & EQUIP.	$3,699,072	$3,720,967
INVESTMENT AT COST	$9,631	$9,631
OTHER NONCURRENT ASSETS	0	0
TOTAL ASSETS	$5,527,846	$5,620,570
LIABILITIES & STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	$207,331	$284,401
ACCRUED EXPENSES	88,568	244,417
TAXES PAYABLE AND ACCRUED	60,015	32,357
LONG TERM DEBT DUE WITHIN ONE YEAR	23,844	336,401
ACCOUNTS RECEIVABLE CREDIT BALANCE	305,557	225,633
CUSTOMER DEPOSITS - SKYTOP DEV.	146,200	0
NOTES PAYABLE	200,000	100,000
TOTAL CURRENT LIABILITIES	$1,031,515	$1,223,209
LONG TERM DEBT (LESS DUE CURRENT YEAR)	$770,566	$15,021
STOCKHOLDER'S EQUITY		
CAPITAL STOCK		
PREFERRED STOCK-CUMULATIVE 7%-$100 PAR VALUE AUTHORIZED 12,000 SHARES-ISSUED & OUTSTANDING 9,423	$942,300	$942,300
COMMON STOCK-NO PAR VALUE AUTHORIZED 16,000 SHARES-ISSUED 13,994	259,080	259,080
SUBTOTAL	$1,201,380	$1,201,380
RETAINED EARNINGS	2,581,082	3,237,657
TOTAL	$3,782,462	$4,439,037
LESS: TREASURY STOCK AT COST (COMMON STOCK 4,182 SHARES)	56,697	56,697
TOTAL STOCKHOLDER'S EQUITY	$3,725,765	$4,382,340
TOTAL LIABILITIES & STOCKHOLDER'S EQUITY	$5,527,846	$5,620,570

POCONO HOTELS CORPORATION
CONSOLIDATED CONDENSED STATEMENT OF INCOME

	THREE MONTHS ENDED MARCH 31 1992	THREE MONTHS ENDED MARCH 31 1991
REVENUES:		
ROOMS	$525,421	$569,359
FOOD AND BEVERAGE	494,467	512,416
GOLF AND OTHER SPORTS	91,465	82,265
SUNDRY DEPARTMENTS	76,593	69,029
INTEREST INCOME	565	1,742
OTHER INCOME	83,462	75,408
SKYTOP DEVELOPMENT SALES	0	1,472,643
INCOME-SKYTOP ASSOC. & LAND SALES	0	0
TOTALS	$1,271,973	$2,782,862
OPERATING COSTS & EXPENSES:		
FOOD AND BEVERAGE	$506,241	$485,899
OTHER COST & EXPENSE	382,799	353,276
DEVELOPMENT COST OF SALES	0	1,100,093
ADMIN. & GENERAL	413,119	409,758
ADV. & PROMOTION	157,817	128,644
HEAT, LIGHT, & POWER	105,828	134,981
REPAIRS & MAINTENANCE & CARE OF GROUNDS	177,497	166,016
REAL ESTATE, CAPITAL STOCK TAXES & BUILDING INSURANCE	51 884	53,235
INTEREST EXPENSE	13,363	5,947
DEPRECIATION	120,000	122,500
TOTALS	$1,928,548	$2,960,349
INCOME FROM OPERATIONS	($656,575)	($177,487)
LESS: PROVISION FOR INCOME TAX (NOTE 3)	0	9,000
NET INCOME (NOTE 2)	($656,575)	($186,487)
NET INCOME PER COMMON SHARE BASED ON 9,812 COMMON SHARES OUTSTANDING AFTER RECOGNITION OF PREFERRED STOCK DIVIDENDS (NOTE 4)	($68.60)	($20.69)
DIVIDENDS PAID:		
PREFERRED STOCK	---	---
COMMON STOCK	---	---

SEE NOTES ON CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

POCONO HOTELS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	PERIOD ENDED	
	3/31/92	3/31/91
Cash flows from operating activities		
Net Income (Loss)	($656,575)	($186,487)
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation & amortization	$120,000	$122,500
Gain on sale of land	0	0
Income - real estate joint venture	0	0
Decrease in accounts receivable	196,182	61,231
Decrease (Increase) in inventories	1,169	881,331
Decrease (Increase) in prepaids	50,713	52,141
(Increase) in other assets	0	0
(Decrease) in accounts payable	(77,070)	(307,390)
(Decrease) in accrued expenses	(155,849)	(125,243)
Increase in accrued state & federal income taxes	0	9,000
Increase (Decrease) in other accrued taxes	27,658	(13,331)
(Decrease) in deficit, Skytop Assoc.	0	0
Increase (decrease) in deposits, SDC	146,200	(271,617)
Increase in A/R credit balances	79,924	103,821
Total adjustments	$388,927	$512,443
Net cash provided by operating activities	($267,648)	$325,956
Cash flows from investing activities		
Purchase of property, plant, & equipment	($98,105)	($41,829)
Gain on sale of land	0	0
Distribution from real estate joint venture	0	0
Net Cash (used in) investing activities	($98,105)	($41,829)
Cash flows from financing acevtivities		
Payments on long term debt	($12,557)	($8,449)
Increase (Decrease) in constrn. loan	455,545	(809,511)
Increase (Decrease) in notes payable	100,000	300,000
Net Cash (used in) financing activities	$542,988	($517,960)
Net (decrease) increase in cash	$177,235	($233,833)
Cash & cash equilavents @ beginning of year	68,864	473,461
Cash & cash equilavents @ end of year	$246,099	$239,628

POCONO HOTELS CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

. In the opinion of the company, the accompanying unaudited Consolidated Condensed Financial Statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly financial position as of March 31, 1992 and 1991 and the results of operations for the three months then ended and changes in financial position for the three months then ended.

. The results of operations for the three months periods ended March 31, 1992 and 1991 are not necessarily indicative of the results to be expected for the full year.

. Although the company reported a losses for the three months ended March 31, 1992 and 1991, no provision is made for a recovery of income taxes by carrying back the loss for tax purposes as the Company expects to report profitable operations for the year ending December 31, 1992. The foregoing is based upon recent historical results as shown below:

	THREE MONTHS ENDED 3/31	YEAR ENDED 12/31
1991	(186,487)	(76,696)
1990	(553,772)	98,337
1989	(90,381)	539,487
1988	(285,602)	368,474
1987	(292,356)	181,903
1986	(367,848)	127,599

At March 31, 1992 the Company's arrearage in cumulative preferred stock dividends amounted to $225.25 per share and the total of all such shares outstanding at that date amounted to $2,122,530.75.

Skytop Development Corporation began active operations at the close of 1989. This real estate development corporation caused changes in some balance sheet items, and the addition of some new balance sheet accounts, detailed below:

Escrow Deposits: monies held in deposit on customer contracts
Customer Deposits: total monies received from customers
Inventories: Expensed as cost of sales at closings.
Long Term Debt: Proceeds from closings used to reduce loan balance.

POCONO HOTELS CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF
CONSOLIDATED CONDENSED STATEMENT OF INCOME

General

The Company derives substantially all of its revenues from the operation of a resort in Skytop, Pennsylvania and related activities.

Historically, the Company's revenues, and, consequently, profits, have been received primarily in May through October of each year. Operations in November through April are usually at a loss. These seasonal fluctuations do not materially affect the Company's, or its subsidiaries', liquidity or capital resources.

Results of Operations

Revenues for the first quarter of 1992 decreased $1,510,889 or 54.3% as compared with the first quarter of 1991. Revenues decreased due to the lack of sales of the Clustered Homes, 5 of which were sold in the first quarter of 1991, and decrease in revenues from the resort operation. The revenues from the resort operations fell $38,246 or 2.9%. Guest occupancy for the first quarter fell 600 guest days. The drop was due to a poor March and a decline in the group business of 26.5%. The percentage of occupancy for the first quarter was a decrease from 30.5% to 27.8%.

Operating costs and expenses decreased $1,031,801 or 34.9% in the first quarter of 1992 when compared with the same period a year ago. The decrease was due mostly to no cost in the first quarter of developing the Clustered Homes. The costs for the resort operation increased $68,292 or 3.7%.

Changes in Financial Position, Liquidity and Capital Resources

The Company's business in not capital intensive, however, Skytop Development has affected the cash flow situation. See note #5 on page #5.

Capital projects during the period included a new bake oven, a new gas grill, new carpet at the Golf Lunch area, the conversion of 8 rooms to 4 mini suites, a new safe and several new pieces of equipment for the Golf Maintenance area.

The Company has a line of credit for the resort operation of $1,500,000; at the end of the first quarter the outstanding balance was $200,000.

Skytop Development has finished construction on 16 of the planned 40 units of the Clustered Homes. Of these 14 have been sold. During the month of March construction was begun on 6 additional units. To date, the Company has contracts to sell 5 of these units and has received non-refundable deposits representing approximately 10% of the basic purchase price of each unit. The completion of the first of these units is expected to be during the third quarter.

Legal Proceedings

On July 31, 1991 Mr. and Mrs. George Milner, owners of a unit in Skytop Meadow, brought suit against Skytop Development and Skytop Meadow Community Association, Inc. in the Court of Common Pleas of Monroe County, Pennsylvania. Mr. and Mrs. Joseph Vogt, owner of an adjacent unit in Skytop Meadow, subsequently joined in the suit. The plaintiffs sought to enjoin and restrain Skytop from constructing a building to cover the pump station at Skytop Meadow. On August 28, 1991, the Court denied the plaintiffs request. On September 17, 1991 the plaintiffs amended their complaint, alleging bad faith, fraud, aggravated oppressive conduct, and violations of the Pennsylvania Unfair Trade Practices and Consumer Protection Act ("PUTPCPA"). On February 19, 1992, the Court denied the plaintiffs' request for attorneys fees and claims for punitive damages, fraud, exacerbation of medical condition and violation of the PUTPCPA. The Company and Skytop Development do not believe the suit has any merit and intend to defend it vigorously.

POCONO HOTELS CORPORATION
COMPUTATION OF EARNINGS PER COMMON SHARE

	THREE MONTHS ENDED MARCH 31	
	1992	1991
NET INCOME (LOSS)	(656,575)	(186,487)
PLUS:		
Earnings Applicable to cumulative 7%-$100 par value Preferred Stock 9,423 shares outstanding	16,490	16,490
NET APPLICABLE TO COMMON STOCK	(673,065)	(202,977)
COMMON STOCK		
Number of shares issued	13,994	13,994
Less number of share in treasury	4,182	4,182
NET SHARES	9,812	9,812
NET INCOME (LOSS) PER COMMON SHARE	(68.60)	(20.69)

PART II - OTHER INFORMATION

Item 9 Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K

There were no reports on Form 8-K for the three months ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

POCONO HOTELS CORPORATION

5/11/92
Date

WILLIAM W. MALLESON, PRESIDENT

5/11/92
Date

JAMES T. DRIGGERS, ASST. TREAS.

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TOTAL PAGES - 21
EXHIBIT INDEX - 10

R92-2229

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1992

Commission File Number 0-367

ROANOKE GAS COMPANY
(Exact Name of Registrant as Specified in its Charter)

VIRGINIA	54-0359895
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
519 Kimball Ave., N. E., Roanoke, Va.	240[illegible]6
(Address of Principal Executive Offices)	(Zip Code)

PROCESSED BY
21-10-V
MAY 15 1992

(703) 983-3800
(Registrant's Telephone Number, Including Ar

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

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None
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

Class	Outstanding at March 31, 1992
Common Stock, $5 Par Value	631,551 Shares

BEST COPY AVAILABLE

ROANOKE GAS COMPANY

Index

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Part I. Financial Information:

Condensed Consolidated Balance Sheets - March 31, 1992 and September 30, 1991 1

Condensed Consolidated Statements of Earnings for the Three-Month and Six-Month Periods Ended March 31, 1992 and 1991 2

Condensed Consolidated Statements of Cash Flows for the Three-Month and Six-Month Periods Ended March 31, 1992 and 1991 3

Condensed Notes to Condensed Consolidated Financial Statements 4

Management's Discussion and Analysis of Financial Condition and Results of Operations 5

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ROANOKE GAS COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
UNAUDITED

ASSETS	March 31, 1992	September 30, 1991
UTILITY PLANT:		
Utility Plant in Service	$41,878,204	$41,119,571
Accumulated Depreciation	14,469,912	13,980,192
Utility Plant in Service, Net	27,408,292	27,139,379
Construction Work-In-Progress	1,103,693	467,221
Utility Plant, Net	28,511,985	27,606,600
NONUTILITY PROPERTY:		
Propane	2,737,039	2,561,610
Accumulated Depreciation	1,074,903	955,328
Nonutility Property, Net	1,662,136	1,606,282
CURRENT ASSETS:		
Cash	1,427,999	918,875
Temporary Cash Investments	1,823,000	403,000
Accounts Receivable - (Less Allowance for Uncollectibles of $368,587 and $128,439, Respectively)	6,778,254	3,212,844
Inventories	1,413,352	4,219,045
Gas Cost Recoverable from Customers	184,452	123,108
Deferred Income Taxes	316,774	923,042
Prepaid Income Taxes	82,765	631,583
Other	384,050	167,434
Total Current Assets	12,410,646	10,598,931
OTHER ASSETS:		
Gas Cost Recoverable from Customers	45,886	359,419
Other	918,795	687,851
Total Other Assets	964,681	1,047,270
TOTAL	$43,549,448	$40,859,083

See condensed notes to condensed consolidated financial statements.

ROANOKE GAS COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
UNAUDITED

LIABILITIES	March 31, 1992	September 30, 1991
CAPITALIZATION:		
Stockholders' Equity:		
Common Stock - Par Value $5; Authorized, 3,000,000 Shares and 1,000,000 Shares in 1992 and 1991, Respectively; Issued and Outstanding 631,551 Shares	$ 3,157,755	$ 3,157,755
Capital in Excess of Par Value	5,511,455	5,511,455
Retained Earnings	6,913,310	5,359,991
Total Stockholders' Equity	15,582,520	14,029,201
Long-Term Debt (Less Current Maturities)	16,226,500	9,364,500
Total Capitalization	31,809,020	23,393,701
CURRENT LIABILITIES:		
Current Maturities of Long-Term Debt	999,000	1,010,000
Notes Payable	300,000	5,800,000
Dividends Payable	315,775	315,776
Accounts Payable	4,728,064	3,360,112
Customers' Deposits	367,411	252,848
Gas Cost Payable to Suppliers	184,452	123,108
Accrued Expenses	1,631,549	1,217,876
Refunds From Suppliers - Due Customers	80,683	391,473
Purchased Gas Adjustments	514,389	2,149,103
Total Current Liabilities	9,121,323	14,620,296
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred Income Taxes	1,871,276	1,769,276
Deferred Investment Tax Credits	701,943	716,391
Gas Cost Payable to Suppliers	45,886	359,419
Total Deferred Credits and Other Liabilities	2,619,105	2,845,086
TOTAL	$43,549,448	$40,859,083

ROANOKE GAS COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED MARCH 31, 1992 AND 1991
UNAUDITED

	Three Months Ended March 31,		Six Months Ended March 31,	
	1992	1991	1992	1991
OPERATING REVENUE	$16,134,905	$15,439,832	$29,630,116	$29,096,998
COST OF GAS	10,849,510	10,645,347	20,016,667	20,264,594
OPERATING MARGIN	5,285,395	4,794,485	9,613,449	8,832,404
OPERATING EXPENSES:				
Other Operations	1,964,744	1,765,404	3,475,279	3,388,964
Maintenance	414,325	330,195	724,205	629,406
Taxes - General	625,702	696,038	1,215,193	1,253,128
Taxes - Income	526,635	434,921	935,702	708,185
Depreciation and Amortization	317,420	305,647	634,492	609,598
Total Operating Expenses	3,848,826	3,532,205	6,984,871	6,589,281
OPERATING EARNINGS	1,436,569	1,262,280	2,628,578	2,243,123
OTHER INCOME AND DEDUCTIONS:				
Interest Income	15,457	10,961	74,327	14,563
Propane Operations, net	407,972	348,731	578,994	625,793
Merchandising and Jobbing	27,941	23,747	87,761	43,179
Other Deductions	(23,584)	(57,550)	(60,542)	(93,262)
Taxes - Income	(160,837)	(120,443)	(247,105)	(217,615)
Total Other Income and Deductions	266,949	205,446	433,435	372,658
EARNINGS BEFORE INTEREST CHARGES	1,703,518	1,467,726	3,062,013	2,615,781
INTEREST CHARGES:				
Long-term Debt	420,333	334,236	802,201	672,744
Other Interest	26,176	119,851	74,942	264,512
Total Interest Charges	446,509	454,087	877,143	937,256
NET EARNINGS (LOSS)	$ 1,257,009	$ 1,013,639	$ 2,184,870	$ 1,678,525
EARNINGS PER COMMON AND COMMON SHARE EQUIVALENT	$ 1.99	$ 1.60	$3.46	$2.73
CASH DIVIDENDS PER SHARE	$0.50	$0.50	$1.00	$1.00

See condensed notes to condensed consolidated financial statements.

ROANOKE GAS COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED MARCH 31, 1992 AND 1991
UNAUDITED

	Three Months Ended March 31,		Six Months Ended March 31,	
	1992	1991	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net earnings	$ 1,257,009	$ 1,013,639	$ 2,184,870	$ 1,678,525
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization	402,998	393,744	805,681	783,554
Gain (loss) from disposal of property	(2,460)	(372)	(2,682)	(1,038
Changes in working capital, operating assets and liabilities exclusive of changes shown separately	1,165,058	2,416,635	(13,957)	(712,787
	2,822,605	3,823,646	2,973,912	1,748,254
CASH FLOWS FROM INVESTING ACTIVITIES:				
Construction expenditures	(997,311)	(625,509)	(1,723,373)	(1,316,188
Other	(27,738)	(18,853)	(45,828)	(25,437
Proceeds from disposal of equipment	3,617	13,835	4,964	20,987
	(1,021,432)	(630,527)	(1,764,237)	(1,320,638
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of long-term debt	-0-	-0-	10,000,000	-0-
Retirement of long-term debt	(346,500)	(346,500)	(3,149,000)	(520,000
Borrowings (Payments) on line-of-credit agreements	(520,000)	(425,000)	(5,500,000)	775,000
Cash dividends	(315,775)	(315,775)	(631,551)	(598,515
Proceeds from issuance of stock	-0-	-0-	-0-	2,048,232
Common stock rights offering issue costs	-0-	-0-	-0-	(11,368
	(1,182,275)	(1,087,275)	719,449	1,693,349
NET INCREASE IN CASH AND CASH EQUIVALENTS	618,898	2.105,844	1,929,124	2,120,965
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,632,101	916,477	1,321,875	901,356
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 3,250,999	$ 3,022,321	$ 3,250,999	$ 3,022,321
	==========	==========	==========	==========
SUPPLEMENTAL INFORMATION:				
Interest paid	$ 249,305	$ 44,371	$ 577,162	$ 560,776
Income taxes paid, (refunded), net	65,200	17,675	(59,831)	(130,549

[illegible]

ROANOKE GAS COMPANY AND SUBSIDIARIES

CONDENSED NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly Roanoke Gas Company's financial position as of March 31, 1992 and September 30, 1991 and the results of operations and cash flows for the three-month and six-months periods ended March 31, 1992 and 1991.

The condensed consolidated financial statements and condensed notes are presented as permitted by Form 10-Q and do not contain certain information included in the Company's annual consolidated financial statements and notes.

2. Quarterly earnings are affected by the highly seasonal nature of the business as variations in weather conditions generally result in greater earnings during the winter months.

3. Earnings per share is based on the weighted average number of shares outstanding during each period (631,551 for the three-month periods ended March 31, 1992 and 1991, and 631,551 and 614,333 for the six-month periods ended March 31, 1992 and 1991, respectively).

ROANOKE GAS COMPANY AND SUBIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Consolidated net earnings for the three-month and six-month periods ended March 31, 1992 were $1,257,009 and $2,184,870 compared to $1,013,639 and $1,678,525 for the same periods last year.

Operating revenues and net income increased due to the current quarter having 5% more heating degree days than the same period a year ago. Total billed and unbilled volumes increased by more than 310,062 MCFs representing a 9% increase over last year. Earnings from propane operations increased due to a 9% increase in gallons. Profit margins on propane remained stable with last year. Other operating expenses increased due to higher professional and rate consulting fees and greater health insurance accruals. The increased professional fees resulted from the design of a dividend reinvestment plan and actuarial work related to the pending implementation of Statement of Financial Accounting Standards No. 106 "Employers' Accounting for Post-Retirement Benefits Other Than Pensions". The addition of a rate consulting group to provide assistance with the current rate application before the State Corpration Commission and higher claim experience under the Company's health insurance plan have also contributed to the increase in operating expenses. The increase in maintenance expenses is due to a variety of factors including additional transmission line right-of-way clearing and distribution main and regulator station maintenance. Lower interest expense is attributable to lower interest rates and decreased levels of short-term borrowings.

Operating revenues and net income increased from last year's levels for the six-month period primarily due to more heating degree days. Total billed and unbilled volumes increased by almost 556,000 MCFs.

Roanoke Gas Company has filed an application for rate increase with the State Corporation Commission of Virginia. The Company has requested a 2.7% increase. The hearing is scheduled for June 30, 1992.

With the approval of the two amendments to the Articles of Incorporation regarding the deletion of shareholder preemptive rights and the increase in the number of authorized shares, Roanoke Gas Company has implemented a dividend reinvestment and stock purchase plan. This plan will allow shareholders to increase their investment in the Company and assist the Company in increasing stockholders' equity.

The three-month and six-month period's earnings presented herein should not be considered as reflective of the Company's financial results for the fiscal year ending September 30, 1992. The total revenues during the first six months reflect higher billings due to the weather sensitive nature of the gas business. As warm weather dominates the remaining six months of the Company's fiscal year, net operating losses are normally expected for the final two quarters which will reduce the Company's net earnings for the fiscal year.

PART II--Other Information

Item 2.(a) Roanoke Gas Company amended its Articles of Incorporation to remove the preemptive rights of shareholders from the Company's common stock.

Item 4.(a) A special meeting of the Shareholders of Roanoke Gas Company was held on March 23, 1992.

(b) Two items were submitted to vote at the shareholders' meeting:

1. Amendment of the Company's Articles of Incorporation to delete preemptive rights of shareholders.

For	473,597
Against	29,901

2. Amendment of the Company's Articles of Incorporation to increase the number of the Company's authorized shares of common stock from 1,000,000 shares to 3,000,000 shares.

For	499,092
Against	26,174

Item 6.(a) Exhibits

(19) Articles of Incorporation of Roanoke Gas Company, as amended.

(b) There were no reports on Form 8-K filed for the three months ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ROANOKE GAS COMPANY

Date 5/13/92

By:
Roger L. Baumgardner
Vice-President, Secretary and Treasurer

ROANOKE GAS COMPANY

Exhibit Index

Exhibit Number	Description	Page Number in Sequential System
(19)	Articles of Incorporation of Roanoke Gas Company, as amended	11

EXHIBIT 19

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, April 9, 1965

The accompanying articles having been delivered to the State Corporation Commission on behalf of

Roanoke Gas Company

and the Commission having found that the articles comply with the requirements of law and that all required fees have been paid, it is

ORDERED that this CERTIFICATE OF AMENDMENT AND RESTATEMENT be issued, and that this order, together with the articles, be admitted to record in the office of the Commission; and that the corporation have the authority conferred on it by law in accordance with the articles, subject to the conditions and restrictions imposed by law.

Upon the completion of such recordation, this order and the articles shall be forwarded for recordation in the office of the clerk of the Hustings Court of the City of Roanoke.

STATE CORPORATION COMMISSION

By

Chairman

VIRGINIA:

In the Clerk's Office of the Hustings Court of the City of Roanoke

The foregoing certificate (including the accompanying articles) has been duly recorded in my office this 20th day of April, 1965 and is now returned to the State Corporation Commission by certified mail.

WALKER R. CARTER, JR., CLERK

By Ruth Keith Deputy Clerk

ARTICLES OF AMENDMENT

OF

ROANOKE GAS COMPANY

A. The name of the corporation is ROANOKE GAS COMPANY.

B. The amendments so adopted are as follows:

> RESOLVED that it is in the best interests of Roanoke Gas Company that its Articles of Incorporation (Association) be amended and restated so that they shall read in their entirety as follows:
>
> First: The name of the corporation is ROANOKE GAS COMPANY.
>
> Second: The purpose or purposes for which the corporation is organized and is authorized to pursue shall be to acquire, own, manage, control and conduct in the State of Virginia properties, systems and plants for the manufacture, storage, transmission, sale and delivery to the public, as a public service company, of gas, whether natural, manufactured or mixed, for power, heat, light and all other uses under such Certificates of Convenience and Necessity as have been or may in the future from time to time be granted to it by the State Corporation Commission of Virginia. In addition, the corporation may conduct in the State of Virginia any other business so far as the same may be related or incidental to its herein-stated business and purposes, and may further conduct in any other state such business as may be authorized or permitted by the laws thereof.
>
> Third: The aggregate number of shares which the corporation shall have authority to issue and the par value per share are as follows:

Class	Number Of Shares	Par Value Per Share
Common	200,000	$5.00

> Fourth: The number of directors, not less than three, shall be fixed by the bylaws, and, in the absence of such a bylaw fixing the same, the number shall be eight.

C. The Board of Directors of the corporation at its meeting held February 25, 1965, found the foregoing amendments in the best interests of the corporation and directed them to be submitted to a vote at the annual meeting of the stockholders of the corporation to be held April 6, 1965; written notice of the stockholders' meeting was given to each stockholder of record entitled to vote at said meeting on March 8, 1965 (more than 25 days prior to the April 6, 1965 meeting date); the foregoing notice was given in the manner provided by the Virginia Stock Corporation Act and was accompanied by a copy of the proposed amendments; and said amendments were adopted by the stockholders of the corporation on April 6, 1965.

D. The number of shares of the corporation outstanding and the number of shares entitled to vote thereon is 155,697 shares of common stock. No other class of shares of the corporation is outstanding.

E. 125,593 shares of common stock of the corporation voted for the amendments; and no shares of the common stock voted against the amendments.

F. The amendments do not effect a change in the amount of stated capital of the corporation.

G. The amendments do effect a restatement in their entirety of the Articles of Incorporation of the corporation, and the amount of stated capital of the corporation on the effective date of such amendments is and will be $778,485.00.

WITNESS the signature of Roanoke Gas Company by its President and its corporate seal affixed hereto and attested by its Secretary, this 6th day of April, 1965.

ROANOKE GAS COMPANY

By ______________________
President

ATTEST:

E C Dunbar
Secretary

1912

STATE OF VIRGINIA)
) to wit:
CITY OF ROANOKE)

I, ______________________, a Notary Public in and for the City of Roanoke, Virginia, do hereby certify that John C. Parrott, President of Roanoke Gas Company, whose name is signed to the foregoing Articles of Amendment bearing date the 6th day of April, 1965, has personally appeared before me and acknowledged the same in my City and State aforesaid.

GIVEN under my hand this 6th day of April, 1965.

____
Notary Public

My commission expires:

My Commission Expires August 8, 1967

Commonwealth of Virginia

State Corporation Commission

I, George W. Bryant, Jr., First Assistant Clerk of the State Corporation Commission, do hereby certify that the foregoing is a true copy of a Certificate of Amendment issued December 6, 1977, amending the articles of incorporation of Roanoke Gas Company.

In Testimony Whereof I hereunto set my hand and affix the Official Seal of the State Corporation Commission, at Richmond this 31st day of October A.D. 19 80

George W. Bryant

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND,
December 6, 1977

The accompanying articles having been delivered to the State Corporation Commission on behalf of

Roanoke Gas Company

and the Commission having found that the articles comply with the requirements of law and that all required fees have been paid, it is

ORDERED that this CERTIFICATE OF AMENDMENT be issued, and that this order, together with the articles, be admitted to record in the office of the Commission; and that the corporation have the authority conferred on it by law in accordance with the articles, subject to the conditions and restrictions imposed by law.

Upon the completion of such recordation, this order and the articles shall be forwarded for recordation in the office of the clerk of the Circuit Court City of Roanoke

STATE CORPORATION COMMISSION
By Thomas P. Harwood, Jr.
Commissioner

VIRGINIA:

In the Clerk's Office of the Circuit Court City of Roanoke

The foregoing certificate (including the accompanying articles) has been duly recorded in my office this 19th day of December, 1977 and is now returned to the State Corporation Commission by certified mail.

WALKER R. CARTER, JR., CLERK
BY: Deputy Clerk

ARTICLES OF AMENDMENT

OF

THE ARTICLES OF INCORPORATION

OF

ROANOKE GAS COMPANY

a. The name of the corporation is Roanoke Gas Company.

b. Paragraph "THIRD" of the Articles of Incorporation of the corporation, as amended, reads in its entirety as follows:

> "THIRD: The aggregate number of shares which the Corporation shall have the authority to issue and the par value per share are as follows:

Class	Number of Shares	Par Value Per Share
Common	1,000,000	$5.00"

c. The Board of Directors of Roanoke Gas Company at a meeting held on August 22, 1977, found the foregoing amendment of its Articles of Incorporation to be in the best interests of the corporation and directed that it be submitted to a vote of the stockholders of the corporation at a Special Meeting called on October 19, 1977. Notice of the Special Meeting of Stockholders was given to each stockholder of record entitled to vote on September 16, 1977, in the manner and within the time provided by the Virginia Stock Corporation Act, which notice included a copy of the amendment, and the amendment was adopted by requisite vote of the stockholders at the Special Meeting of Stockholders of the corporation held on October 19, 1977.

d. The number of shares of the one class of common stock of the corporation outstanding and entitled to vote on the amendment was 188,057.

e. The number of shares voted for adoption of the amendment was 161,882 and against such amendment was 1,199.

f. The foregoing amendment increases the aggregate number of shares authorized for issue from 200,000 to 1,000,000, but does not effect a change in the amount of the stated capital of the corporation.

5. The foregoing amendment does not effect a restatement of the Articles of Incorporation.

ROANOKE GAS COMPANY

By ______________________
Its President

and

By ______________________
Its Vice President - Finance
and Secretary

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

March 24, 1992

The State Corporation Commission has found the accompanying articles submitted on behalf of

ROANOKE GAS COMPANY

to comply with the requirements of law, and confirms payment of all related fees.

Therefore, it is ORDERED that this

CERTIFICATE OF AMENDMENT

be issued and admitted to record with the articles of amendment in the Office of the Clerk of the Commission, effective March 24, 1992.

The corporation is granted the authority conferred on it by law in accordance with the articles, subject to the conditions and restrictions imposed by law.

STATE CORPORATION COMMISSION

By

Commissioner

AMENACPT
CIS20436
92-03-24-0306

ARTICLES OF AMENDMENT
OF THE ARTICLES OF INCORPORATION
OF ROANOKE GAS COMPANY

Pursuant to Section 13.1-710 of the Code of Virginia, the Articles of Amendment of the Articles of Incorporation of Roanoke Gas Company are hereby set forth as follows:

(a) The name of the Corporation is ROANOKE GAS COMPANY.

(b) Paragraph "Third" of the Articles of Incorporation, as amended, shall be amended to read in its entirety as follows:

> "Third: The aggregate number of shares which the corporation shall have the authority to issue and the par value per share are as follows:

Class	Number of Shares	Par Value Per Share
Common	3,000,000	$5.00"

(c) New paragraph "Fifth" shall be added to the Articles of Incorporation, as amended, to read as follows:

> "Fifth: No shareholder shall have any preemptive or preferential right to subscribe for or acquire unissued shares of the corporation's capital stock, or any security convertible into or carrying a right to subscribe for or acquire shares of the corporation's capital stock, when issued."

(d) Both of the amendments were adopted at a Special Meeting of the Corporation's shareholders held on March 23, 1992.

(e) Each amendment was proposed by the Board of Directors of the Corporation and submitted to the shareholders in accordance with the requirements of the Virginia Stock Corporation Act.

(f) The only voting group entitled to vote on the amendments is the holders of the Corporation's common stock. As of February 7, 1992, the record date for the Special Meeting, there were 631,551 shares of common stock of the Corporation issued and outstanding. 499,092 votes were cast "For" the amendment to paragraph "Third" increasing the Corporation's authorized common stock, and 34,818 votes were withheld or cast "Against" that amendment. 473,597 votes were cast "For" the amendment adding paragraph "Fifth" to delete preemptive rights of shareholders, and 37,975 votes were withheld or cast "Against" that amendment. The number of votes cast "For" each amendment was sufficient for approval of the amendment by the shareholders.

EXECUTED this 23rd day of March, 1992, on behalf of Roanoke Gas Company, by its President.

ROANOKE GAS COMPANY

By: Frank A Farmer Jr.
Frank A. Farmer, Jr.
President

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 1992

BEST COPY
AVAILABLE

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________.

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Commission file number 17262

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S. Y. BANCORP, INC.
(Exact name of registrant as specified in it

Kentucky
(State or other jurisdiction of incorporation or organization)

61-1137529
(I.R.S. Employer Identification No.)

1040 East Main Street, Louisville, Kentucky, 40206
(Address of principal executive offices)
(Zip Code)

(502) 582-2571
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No __

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, no par value -- 1,291,220
shares issued and outstanding at May 12, 1992

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The following consolidated financial statements of S.Y. Bancorp, Inc. and Subsidiary (Stock Yards Bank & Trust Company) are submitted herewith:

- --Consolidated Balance Sheets
  March 31, 1992 and December 31, 1991

- --Consolidated Statements of Income
  for the three months ended March 31, 1992 and 1991

- --Consolidated Statements of Cash Flows
  for the three months ended March 31, 1992 and 1991

- --Notes to Consolidated Financial Statements

S. Y. BANCORP, INC. AND SUBSIDIARY
Consolidated Balance Sheets
March 31, 1992 and December 31, 1991

(In thousands, except share data)	March 31, 1992	December 31, 1991
Assets		
Cash and due from banks	$ 8,835	$ 7,146
Interest bearing deposits with banks	-	750
Federal funds sold	-	3,500
Investments securities (approximate market value $49,665 in 1992 and $53,626 in 1991)	48,851	51,580
Loans	162,752	156,255
Less		
Allowance for loan losses	1,964	1,793
Unearned income	748	742
Net loans	160,040	153,720
Premises and equipment	2,527	2,380
Accrued interest receivable	1,580	1,664
Other assets	1,424	1,065
TOTAL ASSETS	$223,257	$221,805
Liabilities and Stockholders' Equity		
Deposits		
Non-interest bearing	$ 30,840	$28,914
Interest bearing	156,143	155,880
Total deposits	186,983	184,794
Securities sold under agreements to repurchase and federal funds purchased	13,679	13,890
Short-term borrowings	1,943	3,313
Accrued interest payable and other liabilities	1,385	1,018
Subordinated debentures	634	634
TOTAL LIABILITIES	204,624	203,649
Stockholders' equity		
Common stock, no par value; 3,000,000 shares authorized, 1,289,220 and 1,286,220 shares issued and outstanding in 1992 and 1991, respectively	4,297	4,287
Surplus	6,461	6,446
Retained earnings	7,875	7,423
TOTAL STOCKHOLDERS' EQUITY	18,633	18,156
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$223,257	$221,805

See accompanying notes to consolidated financial statements.

S.Y. BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Income
For the three months ended March 31, 1992 and 1991

(In thousands, except share and per share data)	1992	1991
Interest income		
Loans	$3,272	$3,520
Interest bearing deposits with banks	5	39
Federal funds sold	81	18
Other short-term investments	-	15
U.S. Treasury and Federal agencies	776	870
Obligations of states and political subdivisions	83	55
Other investment securities	9	-
Total interest income	4,226	4,517
Interest expense		
Deposits	2,111	2,425
Securities sold under agreements to repurchase and federal funds purchased	123	139
Short-term borrowings	24	43
Subordinated debentures	9	14
Total interest expense	2,267	2,621
Net interest income	1,959	1,896
Provision for loan losses	180	180
Net interest income after provision for loan losses	1,779	1,716
Non-interest income		
Trust income	361	396
Investment securities gains	217	-
Service charges on deposit accounts	172	172
Other	84	42
Total non-interest income	834	610
Non-interest expenses		
Salaries and employee benefits	960	852
Net occupancy expense	117	102
Furniture and equipment expense	152	166
FDIC insurance	101	79
Other	498	438
Total non-interest expenses	1,828	1,637
Income before income taxes	785	689
Income tax expense	205	190
Net income	$ 580	$ 499
Net income per share		
Primary	$ .44	$ .38
Fully diluted	.43	.38
Average common shares		
Primary	1,331,918	1,328,913
Fully diluted	1,334,602	1,329,874

See accompanying notes to consolidated financial statements.

S.Y. BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
For the three months ended March 31, 1992 and 1991

	1992	1991
	(In thousands)	
Operating Activities		
Net income	$ 580	$ 499
Adjustments to reconcile net income to cash provided by operating activities		
Provision for loan losses	180	180
Gain on sale of investment securities	(217)	-
Depreciation, amortization and accretion, net	128	137
Increase in other short-term investments	-	(15)
Decrease in accrued interest receivable	84	225
(Increase) decrease in other assets	(362)	239
Increase in accrued interest payable	198	116
Increase (decrease) in other liabilities	169	(67)
Net cash provided by operating activities	760	1,314
Investing Activities		
Proceeds from matured interest bearing deposits with banks	750	500
Net decrease in federal funds sold	3,500	100
Purchases of investment securities	(12,540)	-
Proceeds from maturities of investment securities	12,265	11,545
Proceeds from sales of investment securities	3,213	-
Net increase in loans	(6,500)	(3,045)
Purchases of premises and equipment	(264)	(109)
Net cash provided by investing activities	424	8,991
Financing Activities		
Net increase (decrease) in deposits	2,189	(8,399)
Net increase (decrease) in securities sold under agreements to repurchase and federal funds purchased	(211)	862
Net decrease in short-term borrowings	(1,370)	(1,520)
Exercise of stock options	25	12
Cash dividends paid	(128)	(114)
Net cash provided (used) by financing activities	505	(9,159)
Net increase in cash and cash equivalents	1,689	1,146
Cash and cash equivalents at beginning of period	7,146	5,304
Cash and cash equivalents at end of period	$ 8,835	$ 6,450

Income tax payments were $0 in 1992, and $25,000 in 1991.

Cash paid for interest was $2,069,000 in 1992, and $2,505,000 in 1991.

Noncash investing and financing activities aggregated $16,000 in 1992 and $240,000 in 1991. Included in these totals were transfers from loans to other real estate owned of $0 in 1992 and $195,000 in 1991.

See accompanying notes to consolidated financial statements.

S.Y. BANCORP, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. The consolidated financial statements of S.Y. Bancorp, Inc. and Subsidiary reflect all adjustments (consisting only of adjustments of a normal recurring nature) which are, in the opinion of management, necessary for a fair presentation of financial condition and results of operations for the interim periods.

The consolidated financial statements include the accounts of S.Y. Bancorp, Inc. and its wholly owned subsidiary, Stock Yards Bank & Trust Company. All significant intercompany transactions have been eliminated in consolidation.

A description of other significant accounting policies is presented in the Consolidated Financial Statements for the year ended December 31, 1991 included in S.Y. Bancorp, Inc.'s Annual Report, and its Form 10-K for the period then ended.

(2) Allowance for Loan Losses

An analysis of the changes in the allowance for the three months ended March 31 follows (in thousands):

	1992	1991
Beginning balance	$1,793	$1,731
Provision for loan losses	180	180
Loans charged off	(16)	(45)
Recoveries	7	64
Ending balance	$1,964	$1,930

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This item discusses the results of operations for S.Y. Bancorp, Inc. ("Bancorp"), and its subsidiary, Stock Yards Bank & Trust Company ("the Bank") for the three months ended March 31, 1992 and compares that period with the same period of the previous year. Unless otherwise indicated, all references in this discussion to the "Bank" include Bancorp. In addition, the discussion describes the significant changes in the financial condition of the Bank that have occurred during the first three months of 1992 compared to December 31, 1991. This discussion should be read in conjunction with the financial statements and accompanying notes presented in Part I, Item 1 of this report.

A. RESULTS OF OPERATIONS

Net income of $580,000 for the three months ended March 31, 1992 increased $81,000 from $499,000 for the comparable 1991 period. Primary and fully diluted net income per share was $.44 and $.43, respectively, for the first quarter of 1992, an increase of $.06 and $.05, respectively, over the $.38 (both primary and fully diluted) for the same period in 1991. Return on average assets and return on average stockholders' equity was 1.06% and 12.69%, respectively, for the first quarter of 1992, compared to 1.03% and 12.08%, respectively, for the same period in 1991.

The increase in net income was partially the result of higher net interest income, resulting primarily from greater average volumes of earning assets in the first quarter of 1992 over the same period in 1991. Additionally, non-interest income increased significantly primarily as a result of gains on sales of investment securities.

The following discussion (pages 7-12) provides an analysis of the significant factors affecting operating results and financial condition.

Net Interest Income

(In thousands except percentages)

	Three Months Ended March 31 1992	Three Months Ended March 31 1991
Interest income	$ 4,226	$ 4,517
Tax equivalent adjustment	70	72
Interest income as adjusted	4,296	4,589
Total interest expense	2,267	2,621
Net interest income, tax equivalent basis (1)	$ 2,029	$ 1,968
Net interest spread (2), annualized	2.93%	3.02%
Net interest margin (3), annualized	3.90%	4.28%

Notes:

(1) Net interest income, the most significant component of the Bank's earnings, is total interest income less total interest expense. The level of net interest income is determined by the mix and volume of interest earning assets, interest bearing deposits and borrowed funds, and by changes in interest rates.

(2) Net interest spread is the difference between the taxable equivalent rate earned on interest earning assets less the rate expensed on interest bearing liabilities.

(3) Net interest margin represents net interest income on a taxable equivalent basis as a percentage of interest earning assets. Net interest margin is affected by both the interest rate spread and the level of non-interest bearing sources of funds, primarily consisting of demand deposits and stockholders' equity.

Net interest income of $2,029,000 for the three months ended March 31, 1992 increased $61,000 or 3.1% from $1,968,000 for the same period last year. This increase is due to earning asset volume increases, which offset the effect of lower interest rates in the first quarter of 1992. Net interest spread and net interest margin decreased for the three months ending March 31, 1992 compared to the same period in 1991. These changes are due primarily to declining interest rates. Yields on earning assets dropped slightly more than rates on interest bearing liabilities resulting in the decrease in net interest spread. Net interest margin decreased due to the overall declining interest rates and increase in total earning assets.

Average earning assets increased $23,210,000, or 12.5% for the three months ended March 31, 1992 compared to 1991. The majority of this growth has been in loan balances. Average interest bearing liabilities increased $18,513,000, or 12.1% for the three months ended March 31, 1992 compared to 1991. Growth in interest bearing deposits was the predominate factor in this increase.

At March 31, 1992, as at December 31, 1991, interest earning assets exceeded interest bearing liabilities. This position generally allows for a positive impact on net interest income in periods of rising interest rates and a negative impact in periods of declining rates. Because the cumulative positive interest sensitivity gap through one year of 5.1% is not significant, Bancorp has the ability to effectively manage its interest sensitivity gap to control the degree of interest rate risk on the balance sheet.

Provision for Loan Losses

The allowance for loan losses is based on senior management's continuing review of individual credits, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans, and other such factors that, in management's judgement, deserve current recognition in estimating loan losses.

An analysis of the changes in the allowance for loan losses and selected ratios follows:

(In thousands except percentages)	Three months ended March 31	
	1992	1991
Balance at January 1	$ 1,793	$ 1,731
Provision for loan losses	180	180
Loan charge-offs, net of recoveries	(9)	19
Balance at March 31	$ 1,964	$ 1,930
Average loans, net of unearned income	$ 157,777	$138,066
Provision for loan losses to average loans (1)	.46%	.53%
Net loan charge-offs to average loans (1)	.02%	N/A
Allowance for loan losses to average loans	1.24%	1.40%
Allowance for loan losses to period-end loans	1.21%	1.37%

(1) Annualized

Non-interest Income and Expenses

The following table sets forth the major components of non-interest income and expenses for the three months ended March 31:

In thousands

	Three Months Ended March 31	
	1992	1991
Non-interest income		
Trust income	$ 361	$ 396
Investment securities gains	217	-
Service charges on deposit accounts	172	172
Other	84	42
Total non-interest income	$ 834	$ 610
Net-interest expenses		
Salaries and employee benefits	$ 960	$ 852
Net occupancy expense	117	102
Furniture and equipment expense	152	166
FDIC insurance	101	79
Other	498	438
Total non-interest expenses	$1,828	$1,637

Non-interest income increased for the first quarter ended March 31, 1992, compared to the same period in 1991. The most significant change was gains on sales of investment securities. In keeping with policy, such securities are generally held until maturity. In January, 1992, securities with a par value totaling $3,000,000 were sold to meet objectives of the Bank's asset/liability management program. Intermediate term U.S. Treasury securities were sold and replaced with longer term investment grade municipal securities to take advantage of these significantly more favorable yielding securities. Trust income in the first quarter of 1992 decreased 8.8% as compared to the same period in 1991, to $361,000. Trust assets under management at March 31, 1992, were $216,500,000, an increase of $21,500,000 or 11.0% from $195,000,000 at December 31, 1991. The decrease in Trust income between quarters was due to a change in investment strategies and the related effect on fee income. During the first quarter of 1992, other non-interest income increased to $84,000 as compared to $42,000 in the first quarter of 1991. This increase is primarily due to gains on sales of mortgage loans. In January, 1992, the Bank began operating a mortgage banking company as a division of the Bank. The mortgage company originates residential mortgage loans and sells the loans in the secondary market.

Non-interest expenses increased $191,000, or 11.7%, for the first quarter of 1992 compared to the same period in 1991. Salaries and employee benefits increased $108,000, or 12.7%, over 1991. The increase represents normal salary adjustments made at the beginning of each year and the addition of new positions, including mortgage company and new branch personnel, to expand services available to and support functions for the Bank's customers. Net occupancy expenses increased 14.7% to $117,000 in the first quarter of 1992 from $102,000 for the same period in 1991. This increase arose primarily due to occupancy expenses incurred with the February, 1992, opening of a temporary branch facility. Furniture and fixture expense declined to $152,000 in the first quarter of 1992 from $166,000 in the first quarter of 1991. Timing of expenses such as computer maintenance resulted in this decrease. FDIC insurance expense increased 27.8% from the first quarter of 1991 to the first quarter of 1992. This is due to both an insurance rate increase of 10% in July, 1991 and an increase in total deposit account balances. Other non-interest expenses increased 13.7% to $498,000 in the first quarter of 1992 as compared to $438,000 in the first quarter of 1991. This increase is attributable to a number of factors including telephone, postage and marketing expenses associated with opening new branches and the mortgage company. Also contributing to the increase were professional fees charged to the trust department for the preparation of fiduciary tax returns. This function was heretofore completed internally by trust department personnel.

Income Taxes

Bancorp had income tax expense of $205,000 for the three months ended March 31, 1992, compared to $190,000 for the same period in 1991. The effective rate decreased slightly from 27.6% in 1991 to 26.1% in 1992.

B. FINANCIAL CONDITION

Total Assets

Total assets increased $1,452,000 from December 31, 1991 to March 31, 1992. Total assets from March 31, 1991 to March 31, 1992, increased $25,928,000, representing a 13.1% increase. Total average assets at March 31, 1992 were $219,361,000, a 12.1% increase from March 31, 1991 of $23,691,000.

Nonperforming Loans and Assets

Nonperforming loans, which include restructured, nonaccrual and loans past due over 90 days, totaled $595,000 at March 31, 1992 and $811,000 at December 31, 1991. This represents .37% of total loans at March 31, 1992 compared to .52% at December 31, 1991. The Bank considers the level of non-performing loans in its evaluation of the allowance for loan loss.

Nonperforming assets, which include nonperforming loans and other real estate owned, totaled $1,070,000 at March 31, 1992 and $1,086,000 at December 31, 1991. This represents .48% of total assets at quarter-end compared to .49% at December 31, 1991.

C. LIQUIDITY

The role of liquidity is to ensure that funds are available to meet the depositors' withdrawal and borrowers' credit demands while at the same time maximizing profitability. This is accomplished by balancing changes in demand for funds with changes in the supply of those funds. Liquidity to meet demand is provided by maturing assets, short-term liquid assets that can be converted to cash, and the ability to attract funds from external sources - principally deposits. Interest rate sensitivity has a major impact on the earnings of the Bank. As interest rates change in the market, rates earned on assets do not necessarily move identically with rates paid on liabilities. Proper asset and liability management involves the matching of interest sensitive assets and liabilities to reduce interest rate risk.

The Bank has a number of sources of funds to meet its liquidity needs on a daily basis. An increase in loans affects liquidity as the repayment of principal and interest are a daily source of funds. The deposit base, consisting of relatively stable consumer and commercial deposits, and the large denomination ($100,000 and over certificates of deposit), is another source of funds. In addition, federal funds purchased continue to offer a source of funds. Other sources of funds available to meet daily needs include the sale of securities under agreements to repurchase and funds made available under a Treasury Tax and Loan Note Agreement with the federal government. In September 1991, the Bank joined the Federal Home Loan Bank of Cincinnati (FHLB). As a member of the FHLB, the Bank has access to credit products of the FHLB. These credit services provide the Bank with another source of funds.

Federal funds sold have decreased from $3,500,000 at December 31, 1991 to $0 at March 31, 1992. Investment securities have decreased $2,729,000 from December 31, 1991 to March 31, 1992. Both of these decreases have occurred to help fund loan growth.

The Bank manages its interest rate risk by primarily making variable rate loans. The Bank does, however, make fixed rate consumer loans which it matches, along with investment securities, against longer term fixed rate time deposits.

Bancorp's liquidity depends primarily on the dividends paid to it as the sole shareholder of the Bank. At March 31, 1992, the Bank may pay up to $3,224,000 in dividends to Bancorp without regulatory approval.

D. CAPITAL RESOURCES

At March 31, 1992, stockholders' equity totaled $18,633,000, an increase of $477,000 or 2.6% since December 31, 1991.

At March 31, 1992, Bancorp's tier 1 and total risk based capital ratios were 11.9% and 13.6%, respectively, compared to 11.8% and 13.4%, respectively, at December 31, 1991. These ratios exceed the 4.00% tier 1 and 8.0% total capital minimums for each ratio required by the end of 1992. A minimum leverage ratio, adopted by the Federal Reserve Board in 1990 to assist in the assessment of capital adequacy, supplements the risk-based capital requirements. The minimum leverage ratio is 3%; however, most bank holding companies will be required to maintain a minimum in excess of this percentage. Bancorp's leverage ratio at March 31, 1992 was 8.4%, compared to 8.2% at December 31, 1991.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits
    (11) Computation of Per Share Earnings

(b) Reports on Form 8-K

The registrant was not required to file a Form 8-K for any of the three months ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

S.Y. BANCORP, INC.

Date: May 13, 1992

By:
DAVID H. BROOKS, President

Date: May 13, 1992

By:
DAVID P. HEINTZMAN, Treasurer and
Chief Financial Officer

EXHIBIT 11

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS
S.Y. Bancorp, Inc. and Subsidiary

	For the Three Months Ended March 31	
PRIMARY	1992	1991
Average shares outstanding	1,287,017	1,272,092
Effect of assumed conversion of stock options under treasury stock method	45,732	56,821
	1,332,749	1,328,913
Net Income	$ 580,000	$ 499,000
Per share	$ .44	$ .38
FULLY DILUTED		
Average shares outstanding	1,287,017	1,272,092
Effect of assumed conversion of stock options under treasury stock method	48,442	57,782
	1,335,459	1,329,874
Net income	$ 580,000	$ 499,000
Per share	$ .43	$ .38

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended February 1, 1992 Commission File Nbr. 0-934

B.B.WALKER COMPANY
Exact name of registrant as specified in its charter

North Carolina
State or other jurisdiction incorporation or organization

56-0581797
(I.R.S. Employer Identification No.)

East Dixie Drive, P.O. Drawer 1167, Asheboro, N. C. 27203
(Address if principal executive offices Zip Code)

Registrant's telephone number, including area code (919) 625-1380

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

On February 1, 1992, there were 1,033,229 shares of the Registrant's common stock outstanding.

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B.B. WALKER COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

(In Thousands)

Assets	FEB 2, 1992	NOV 2, 1991
Current assets:		
Cash	$ 1	$ -
Accounts receivable, less allowance for doubtful accounts of $447 (1992) and $332 (1991)	8,601	11,523
Inventories	13,731	13,623
Prepaid expenses	126	90
Deferred taxes	120	102
Total current assets	22,577	25,339
Property, plant and equipment, less accumulated depreciation and amortization of $3,871 (1992) and $3,815 (1991)	1,739	1,728
Other assets	190	199
	$24,506	$27,265

Liabilities and Shareholders' Equity	FEB 2, 1992	NOV 2, 1991
Current liabilities:		
Borrowings under finance agreements	$ 8,486	$10,782
Portion of long-term obligations payable within one year	733	735
Accounts payable-trade	4,984	5,532
Accrued salaries, wages and bonuses	531	558
Other accounts payable and accrued liabilities	465	318
Income taxes payable	119	182
Total current liabilities	15,318	18,107
Long-term obligations, portion payable after one year	3,096	3,110
Minority interests in consolidated subsidiaries	41	42
Shareholders' equity:		
7% cumulative preferred stock $100 par value, 1,150 shares authorized, 1,041 shares issued and outstanding	104	104
Common stock, $1 par value-2,500,000 shares authorized, 1,033,229 issued and outstanding in 1992 and 1991	1,033	1,033
Capital in excess of par value	3,254	3,254
Retained earnings	1,660	1,615
Total shareholders' equity	6,051	6,006
	$24,506	$27,265

B.B. WALKER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS
(UNAUDITED)

	Three Months Ended	
(In Thousands except Per Share Data)	FEB 1, 1992	FEB 2, 1991
REVENUES:		
Net Sales	$9,194	$8,739
Interest and other income	30	28
Total Revenues	9,224	8,767
Cost and Expenses:		
Cost of products sold	6,707	6,655
Selling and administrative expenses	2,066	1,804
Depreciation and amortization	84	53
Interest expense	317	361
Total Cost and Expenses	9,174	8,873
Income (loss) before income taxes, minority interests, and extraordinary item	50	(106)
Provision for income taxes	18	---
Minority interests	1	1
Income (loss) before extraordinary item	31	(107)
Extraordinary item-realization of tax operating loss carryforwards	18	---
Net income (loss)	49	(107)
Retained earnings at beginning of year	1,613	1,185
Less: dividends paid	2	2
Retained earnings at end of period	$1,660	$1,076
Per share of common stock:		
Income (loss) before extraordinary item	$0.03	($0.10)
Extraordinary item	0.02	---
Net income (loss) Per Share	$0.05	($0.10)
Weighted average shares	1,059	1,065

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended	
(In Thousands)	FEB 1, 1992	FEB 2, 1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (loss) before extraordinary item	$31	($107)
Adjustments to reconcile income (loss) to cash:		
Depreciation/Amortization	84	53
Extraordinary item-realization of tax operating loss carryforwards	18	---
(Increase) decrease in:		
Accounts receivable	2,922	2,214
Inventories	(108)	(505)
Prepaid expenses	(34)	14
Deferred taxes	(18)	
Other assets	9	9
Increase (decrease) in:		
Accounts payable-trade	(557)	(1,397)
Accrued salaries, wages and bonuses	(27)	(4)
Other accounts payable and accrued liabilities	66	(15)
Taxes payable	18	---
Total adjustments to reconcile income (loss) to cash	2,373	369
Net cash provided (used) by operating activities	2,404	262
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(98)	(12)
Disposal of property, plant and equipment	4	4
Net cash provided (used) by investing activities	(94)	(8)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings under financing agreement	(2,296)	(471)
Payment on debt	(11)	224
Dividends paid on 7% cumulative preferred stock	(2)	(2)
Net cash provided (used) by financing activities	(2,309)	(249)
NET INCREASE (DECREASE) IN CASH	1	5
CASH AT THE BEGINNING OF THE PERIOD		2
CASH AT THE END OF THE PERIOD	$1	$7

B.B. WALKER COMPANY
Notes to Consolidated Financial Statements
Feb 1, 1992

Note A-Long-term Obligations

	(In Thousands)	
	Feb 1, 1992	Nov 2, 1991
Mortgage note	$2,248	$2,254
Promissory notes payable to shareholders in varying amounts through 1994	1,139	1,133
Capitalized lease obligations	294	282
Notes payable due in varying amounts through December, 1995	6	8
Note payable to a bank due in monthly installments of $10,000 through April, 1993	142	168
	3,829	3,845
Less portion payable within one year	733	735
	$3,096	$3,110

Note B-Earnings Per Share

Earnings (loss) per common share are computed by dividing net income (loss) after deducting preferred dividends requirements which accrued during the period by the weighted average number of common shares outstanding during each period. The weighted average number of common shares used in the computation were 1,059,000 shares for 1992 and 1,065,000 shares for 1991.

Note C

	(In Thousands)	
	Feb 1, 1992	Nov 2, 1991
Finished goods	$7,558	$7,288
Work in process	764	701
Raw materials and supplies	5,409	5,634
	$13,731	$13,623

Note D

In February, 1980, a new Class A preferred stock having no par value was authorized. There are 200,000 shares authorized and as of Feb 1, 1992 none have been issued.

Note E

In the opinion of management, all adjustments necessary for a fair statement of results for the period have been indicated in the accompanying financial statements.

Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations

Revenues

Net sales for the first three months of 1992 were 5.2% higher than the first three months of 1991 reflecting an 11% decrease in pairs of footwear sold at approximately 20% higher average selling price per pair as a result of price increases and product mix.

Gross Margin

The Company's gross margin increased 3.2% during the first three months of 1992 as compared to the first three months of 1991. The increased margin is attributed to increased shipments of western footwear which typically have a more favorable margin.

Selling and Administrative Expenses

Selling and administrative expenses, as a percentage of net sales, increased 1.8% during the first three months of 1992 as compared to the first three months of 1991. In absolute dollars, actual expenses increased $262,000 or 14.5% due to increases in advertising, bad debt provision and commissions.

Interest Expense

Substantially all of the Company's debt is tied to the prime rate. Interest expense was reduced $44,000 as a result of controlled spending and reductions in the prime rate.

Provision for Income Taxes

The combined federal and state tax provision was $18,000 for the first three months of 1992. However, the provision for the first three months of 1992 was offset by prior years operating loss carryforwards.

Liquidity and Capital Resources

The Company's interest bearing debt decreased from $14,627,000 at Nov 2, 1991 to $12,315,000 at Feb 1, 1992. The decrease in interest bearing debt during the first quarter of 1992 reflects the seasonal decrease in receivables. The receivables and inventories are used to provide working capital in accordance with a financing agreement with a lender.

Fluctuations in Balance Sheet Accounts

Trade Receivables

The decrease in trade receivables during the first three months of 1992 is the normal seasonal pattern from a high balance at Nov 2, 1991, following the selling season to a lower balance following typically lower sales during the first three months of 1991. Trade receivables will increase in the fourth quarter which historically is the Company's peak selling season.

Inventories

Finished goods inventories increased $270,000 for the first three months of 1992 compared to Nov 2, 1991 reflecting the demand for footwear. The changes in work in processed and raw materials have been reduced in order to improve the utilization of assets.

Accounts Payable-Trade

Accounts Payable- Trade decreased $548,000 for the first three months of 1992 compared to Nov 2, 1991, which reflects payment of raw materials and finished goods purchased in earlier periods.

Borrowings Under Finance Agreement

The change in borrowings under finance agreement is summarized as follows.

	(In Thousands)
Balance at 11/2/91	$10,782
Decrease in current receivable borrowings	(2,059)
Decrease in current inventory borrowings	(237)
Balance at 2/1/92	$8,486

Part II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a)(23) Exhibit (23) - Proxy Statement of the Annual Meeting of Shareholders dated February 24, 1992 for the Annual Meeting of Shareholders to be held on March 16, 1992.

(b) Reports on Form 8-K

There were no reports on Form No. 8-K filed for the three months ended February 1, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

B. B. WALKER COMPANY

William C. Massie, Vice President,
Finance & Administration

James C Burris

James C. Burris, Jr.
Chief Accountant

Date: March 4, 1992

Exhibit 23

B. B. WALKER COMPANY

East Dixie Drive – P.O. Drawer 1167 – Asheboro, North Carolina 27204

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MARCH 16, 1992

TO THE HOLDERS OF COMMON STOCK OF
B. B. WALKER COMPANY

You are cordially invited to attend the Annual Meeting of the Shareholders of B. B. Walker Company scheduled to be held on Monday, March 16, 1992 at 7:00 p.m. EST in the executive offices of the Company on East Dixie Drive, Asheboro, North Carolina. The purposes of the meeting are:

(1) To elect 5 Directors of the Company.

(2) To consider ratifying the appointment by the Board of Directors of Price Waterhouse as the independent public accountants of the Company.

(3) To transact such other business as may properly be brought before the meeting or any adjournment thereof.

Only holders of common stock of record at the close of business on February 24, 1992 will be entitled to vote at the meeting. The stock transfer books of the Company will not be closed.

IMPORTANT – YOUR PROXY CARD IS ENCLOSED

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, YOU ARE URGED TO SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD PROMPTLY. YOUR PROXY CARD WILL BE RETURNED TO YOU IF YOU ARE PRESENT AT THE MEETING AND SO REQUEST. PLEASE USE THE ENCLOSED POSTAGE PAID RETURN ENVELOPE FOR MAILING YOUR PROXY CARD.

You have been mailed a copy of the Company's Annual Report, including financial statements for the fiscal year ended November 2, 1991.

By Order of the Board of Directors

James P. McDermott

JAMES P. McDERMOTT, Secretary

Date of Mailing:
February 24, 1992

B. B. WALKER COMPANY

East Dixie Drive – P.O. Drawer 1167 – Asheboro, North Carolina 27204

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS

March 16, 1992 and Adjournments

SOLICITATION OF PROXY

The enclosed Proxy, mailed on February 24, 1992, is solicited by the Board of Directors of B. B. WALKER COMPANY, (the Company) for use at its Annual Meeting of Shareholders to be held in the executive offices of the Company on East Dixie Drive, Asheboro, North Carolina, at 7:00 p.m. EST on Monday, March 16, 1992 or any adjournment thereof.

The Company will bear the cost of solicitation of proxies, including the charges and expenses of brokerage firms and others for forwarding solicitation material to beneficial owners of stock. In addition to the use of the mails, proxies may be solicited by personal interview or by telephone and telegraph. Proxies and correspondence should be addressed to James P. McDermott, Corporate Secretary.

REVOCATION OF PROXY

Execution and return of a Proxy given in response to this solicitation will not affect a Shareholder's right to attend the meeting and vote in person. Any Shareholder signing and returning a Proxy in the form enclosed with this statement may revoke it at any time before it is exercised by giving notice thereof to the Company in writing or in open meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Board of Directors has fixed the close of business on February 24, 1992 as the record date for Shareholders entitled to notice of and to vote at the meeting and any adjournment. On February 24, 1992, the Company had issued 1,033,229 shares of common stock all of which were outstanding and entitled to vote. Each share of common stock is entitled to one vote. As of January 13, 1992, all Directors and Officers of the Company as a group (7 persons) owned or controlled 682,361 shares or 66.04% of the outstanding shares of the Company's common stock. Included in the solicitation of proxies is the solicitation of discretionary authority to transact such other business as may properly be brought before the meeting or any adjournments. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of B. B. Walker Company common stock entitled to vote, is necessary to constitute a quorum.

As of January 13, 1992, the Company was aware of the following four direct and beneficial owners of more than 5% of the outstanding shares of the Company's common stock:

(1) James P. McDermott, Vice President & General Counsel and Secretary of the Company, as well as a Director, is Trustee of the Employee Stock Ownership Plan of B.B. Walker Company (The ESOP) and, as Trustee, holds of record or beneficially, 390,451 shares or 37.8% of the outstanding common stock of B.B. Walker Company. He is authorized as Trustee to vote all shares held by the ESOP in the best interests of the participants. James P. McDermott holds currently exercisable options for 15,000 shares of B.B. Walker Company common stock granted to him under the 1987 Incentive Stock Option Plan. Mr. McDermott owns directly 211 shares or 20.3% of the 1,041 shares of the $100 Par Value 7% Cumulative Preferred Stock of the Company issued and outstanding.

(2) C. L. Richardson, Executive Vice President and Director of the Company together with members of his family holds of record or beneficially 97,312 shares or 9.42% of the outstanding common stock of the Company. C. L. Richardson holds currently exercisable options for 10,000 shares of B. B. Walker Company common stock granted to him under the 1987 Incentive Stock Option Plan.

(3) Edna A. Walker of 414 East Dixie Drive, Asheboro, North Carolina, who is President of the B.B. Walker Foundation and a Director of the Company, together with members of her family, holds of record or beneficially a total of 70,703 shares or 6.84% of the outstanding common stock of the Company.

(4) Kent T. Anderson, President, Chief Executive Officer and a Director of the Company holds of record and beneficially a total of 82,299 shares or 7.97% of the outstanding shares of common stock of the Company. Kent T. Anderson holds currently exercisable options for 40,000 shares of B. B. Walker Company common stock granted to him under the 1979 Stock Option Plan and the 1987 Incentive Stock Option Plan.

1. ELECTION OF DIRECTORS

Five Directors are to be elected at the forthcoming Annual Meeting. The Board of Directors sitting as a Nominating Committee has nominated five persons to be director nominees for consideration by the shareholders. It is intended that the two persons named in the accompanying Proxy will vote for the five director nominees named on the following pages unless authority to vote is directed otherwise. Directors shall be elected by a plurality of the votes cast.

A Director is elected to serve until the next Annual Meeting of the Shareholders or until a successor shall be elected and shall qualify. Each nominee for Director has agreed to serve and, so far as the Board is aware, will serve if elected. If any nominee is unable to serve, the proxies will be voted by those named therein for the election of a substitute nominee selected by the Board of Directors.

Of the five nominees for director, three are presently employees of the Company. Two retired employees are serving on the Board of Directors at this time. The Company does not provide Directors and Officers Liability insurance coverages. There are no family relationships between any of the nominees and the executive officers of the Company or its subsidiaries. At present the Board of Directors has not established an Audit Committee, a Nominating Committee or a Compensation Committee. When a number of non-employee directors become members of the Board, serious consideration will be given to re-establishing one or more of such committees.

The Board of Directors meets on a monthly basis except for the month of December. The Annual Meeting of the Board of Directors is held immediately following the Annual Meeting of the Shareholders. Special meetings of the Board may be called at any time when necessary as provided in the By-Laws. During fiscal 1991, the Board of Directors met 10 times. Of the five directors, three attended all meetings, and two missed one meeting each for business reasons. All of the director nominees held positions as Director during the 1991 fiscal year.

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

Name, Age & Year First Elected a Director	Principal Occupation For Last Five Years	Equity Securities of Company beneficially owned on January 13, 1992 (1)	
		Common Shares	Preferred Shares
Kent T. Anderson (49) (1985)	President (1984), & Chief Executive Officer (1986).	82,299 (7.97%)	-
Robert L. Donnell, Jr. (60) (1968)	Retired due to Disability Reasons. Formerly Executive Vice President Operations of the Company 1968-1991	1,431 (.1%)	-
James P. McDermott (71) (1986)	Vice President & General Counsel (1973), Secretary (1984). Responsible for legal and corporate administrative matters. (2)	15,009 (1.45%)	211 (20.3%)
C. L. Richardson (65) (1959)	Executive Vice President. (1968). Primarily responsible for importing activities.	97,312 (9.42%)	2 (.2%)
Edna A. Walker (67) (1952)	President of B. B. Walker Foundation	70,703 (6.84%)	35 (3.4%)

(1) The By-Laws and the Charter do not require Directors to be Shareholders. The number of shares of common stock shown includes shares held in the names of wives, minor children or certain relatives, as to which beneficial ownership is disclaimed. Shares held in the Employee Stock Ownership Plan of B.B. Walker Company are excluded from the within totals as the employee participant exercises no voting control over shares allocated to his/her account so long as he/she is a participant. The totals shown do include shares subject to currently exercisable options granted by the Company. The number of shares included with respect to each director nominee holding such options is as follows: Kent T. Anderson, 40,000; James P. McDermott 15,000 and C. L. Richardson, 10,000.

(2) The above set forth total of common stock beneficially owned by James P. McDermott does not include the 390,451 shares of common stock constituting 37.8% of the total shares outstanding, held by him as Trustee of the Employee Stock Ownership Plan and Trust of B.B. Walker Company for the benefit of all Plan participants. Reference is made to subparagraph (1) under the heading "VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF" on page 1 of this Proxy Statement.

COMPENSATION OF EXECUTIVE OFFICERS – 1991

The following table sets forth all cash compensation, as defined in regulations of the Securities and Exchange Commission paid or accrued by the Corporation and its subsidiaries for the fiscal year ended November 2, 1991 to each of the five highest paid executive officers whose aggregate cash compensation exceeded $60,000 and to all executive officers as a group.

Compensation Table

Name & Capacities In which compensation was received	Cash Compensation (1) (2)	Deferred Compensation (4)	Employee Benefit Plans The ESOP (3) (5)
			1991 Addition
Kent T. Anderson President & Chief Executive Officer	$137,337	–	$1,636
C. L. Richardson Executive Vice President	$ 65,702	$12,000	$ 926
James P. McDermott Vice President, General Counsel & Secretary	$ 63,482	–	$ 756
William C. Massie Vice President–Finance and Administration	$ 80,561	–	$ 960
All executive officers as a group (5 persons including the above named)	$437,575	$12,000	$5,356

(1) The Company provides a special life insurance program of various amounts for Officers, Directors, truck drivers, salesmen and other key employees of the Company and its subsidiaries, with the Company and employees sharing the premium cost. A total of 77 employees are insured of which 7 are Officers and Directors of the Company and its subsidiaries and 70 are truck drivers, salesmen, supervisors and other key employees. In fiscal 1991 the Company's and its subsidiaries' share of the premium cost amounted to $19,933. The amount applicable to Officers and Directors is not included in the compensation shown in the above table. The Company share during fiscal 1991 of the total cost of the special life insurance coverage for all 7 executive officers and directors as a group was $3,216 or 16.1% of the total Company cost. The portion of such cost applying to the director nominees amounted to $2,647 or 13.3% of the total Company cost for the class of employees covered.

(2) Selected management personnel, including four of those named above, during the 1991 fiscal year received certain direct personal benefits such as the use of an automobile for personal and business use. The aggregate value of such personal benefit is immaterial as a percentage of compensation.

(3) The Company, since November 1959, has been the grantor/sponsor of a Profit Sharing Retirement Plan and an Employee Stock Ownership Plan (the "ESOP") for its employees and employees of its subsidiaries. Three of the present Directors who are Director Nominees are employees of the Company or of its subsidiaries and are participants. The Plans are Defined Contribution Plans under the Employee Retirement Income Security Act of 1974 (ERISA) and the Company contributes each year to the ESOP an amount determined by the Board of Directors.

In June 1983, the Board of Directors approved the merger of the existing Profit Sharing Retirement Plan into the existing Employee Stock Ownership Plan, making the Profit Sharing Plan inactive with no further contributions to be made and no new participants to be added to the Plan. The merger also provided that all account balances of participants in the Profit Sharing Plan would remain frozen or intact until the withdrawal of the participant from the Plan. At withdrawal, existing participants would receive their Profit Sharing Plan balances in cash. The merger provides that all income, forfeitures and gain on the sale of Profit Sharing Plan assets will be transferred annually to the ESOP and then will be used to purchase shares of B. B. Walker Company common stock for the accounts of Profit Sharing Plan participants only. The merger was approved by the Internal Revenue Service on January 27, 1984. Employees becoming eligible participants after May 31, 1983 join the Employee Stock Ownership Plan only as the Profit Sharing Plan is inactive and no participants have been added to the Profit Sharing Plan since the merger.

The contribution to the ESOP is allocated to individual participants by a formula under which all participants receive the same percentage of their fiscal year compensation contributed to their accounts. The ESOP is designed so that all participants are treated equally and is geared to long term service with the Company or a subsidiary. The amounts shown above in the Employee Benefits section of the compensation table under the heading "the ESOP", for each Director Nominee or Officer, are the amounts allocated to their accounts from the $ 70,000 Company contribution to the ESOP for fiscal 1991. For the Director Nominees involved, such totaled $3,318 or 4.7% of the total contribution. The amounts shown may or may not be fully vested or owned by the Director Nominee depending on the length of service with the Company or its subsidiary. The employees do not contribute to either Plan and participation in such is mandatory.

It is impractical to estimate the annual amount of retirement benefits available to any Officer or Director participating in the Plans. Distribution options at retirement are lump sum cash payments from the Profit Sharing Plan for those who were participants and lump sum cash or shares of B. B. Walker Company common stock from the ESOP at the option of the Trustee. The Plans are fully funded at all times.

There is no obligation or requirement on the part of the Company or its subsidiary to continue the ESOP. What a retiree will receive at normal retirement at age 65 or at subsequent retirement will depend on the amounts of annual contributions by the Board of Directors, forfeitures, income from investments, etc. during the years until actual retirement.

(4) The Company adopted the 1983 Non-qualified Deferred Compensation Plan (the "Plan") on June 7, 1983, a voluntary plan which permits certain key executives of the Company to defer a portion of their compensation in return for retirement or survivor benefits relating to the amount of salary deferred, age at the time of participation and the period over which deferrals are made. The deferred compensation, when due upon retirement or death of an executive, will be payable by the Company. The rate of interest which is credited on deferred compensation during any calendar year will be at a rate equal to that paid North Carolina holders of the Company's promissory notes having the highest yield. Depending upon the arrangement with the participant, deferred amounts under the Plan will be paid to the plan participant in 60 or 120 substantially equal monthly installments beginning on the first day of the month following retirement or death of the plan participant. Currently, M. R. Williams, who has retired and James P. McDermott and C. L. Richardson who are still employed are the only participants in the Plan. Amounts deferred under the Plan during fiscal 1991 are set forth in the Deferred Compensation column in the COMPENSATION OF DIRECTOR NOMINEES AND EXECUTIVE OFFICERS section of this Proxy Statement.

(5) Effective January 1, 1989, the Company instituted the Retirement Savings Plan of B. B. Walker Company, a thrift plan generally called a Section 401(k) Plan. The Plan is a qualified Plan being a defined contribution plan under the Employee Retirement Income Security Act of 1974 (ERISA). The Plan is available to all employees. Participants contribute from 3% to 6% of monthly pay which is deducted on a pre-tax basis from their paychecks. Participants may choose to invest their pre-tax payroll contributions in a fixed income fund; in a diversified stock fund; or in a mixed asset fund, or in any combination of the three. The Company has not made a contribution to the Plan to date, but reserves the right to make a contribution depending upon profitability of the Company and its cash flow needs. Two of the Director Nominees, Kent T. Anderson and James P. McDermott who are also employees of the Company, and one executive officer of the Company, W. C. Massie, were participants in the Section 401(k) Plan during fiscal 1991. Their total compensation, prior to reduction for the amount deferred under the Section 401(k) Plan, is shown in column 1 of the Compensation Table above.

DIRECTORS' FEES

The Company presently has only two non-employee directors. It does not have Directors and Officers liability insurance coverage at this time. In the event a non-employee or outside director is elected, it is Company policy that non-employee Directors receive an annual retainer fee of $1,200 which is paid quarterly. In addition an attendance fee of $200 per meeting is paid for Board meetings and for Board Committee meetings, unless the Board Committee meeting is held on the same day the Board meeting is held. Directors who are full time employees of the Company or of one of its subsidiaries or who are retirees of the Company drawing retirement benefits, do not receive any additional compensation by reason of their membership on or attendance at meetings of the Board or Board Committees.

OPTIONS

The Company now has one active stock option Plan, the 1987 Incentive Stock Option Plan and has one outstanding unexpired grant under the expired 1979 Non-Qualified Stock Option Plan.

The 1979 Non-Qualified Stock Option Plan

This 1979 Plan dated January 9, 1979 and originally for 100,000 shares of common stock, was increased to 105,000 shares upon the declaration of a 5% common stock dividend in December 1980. All grants except one have expired under the Plan and no grants issued have been exercised. On September 4, 1984, the Board of Directors granted a stock option for 10,000 shares of B. B. Walker Company stock to Kent T. Anderson with a stock option fair market price established by the Board at $2.00 per share which grant remains outstanding under the 1979 Plan. The 10,000 share grant to Kent T. Anderson will expire if not exercised on or before September 4, 1994. Under the 1979 Plan, any gain or profit at time of exercise of the option was taxable income to the Optionee. The 1979 Plan expired on January 8, 1989 and no further grants may be made thereunder.

The 1987 Incentive Stock Option Plan

Under the 1987 Plan, 200,000 shares of common stock were made available to the Board of Directors for the granting of stock options to full time employees of the Company and its subsidiaries. The amount of an option to be granted to any employee is in the discretion of the Board of Directors. The purchase price of the shares covered by an option grant may not be less than 100% of the fair market value of the stock on the date of the grant of the option. The termination date of the 1987 Plan is February 10, 1997 and options, exercisable within ten years from date of grant may be granted under it until that date. Grants outstanding under the Plan and held by Key Employees total 106,000 shares at Option prices of $2.00 and $2.25 per share. One grant for 5,000 shares held by a key employee was exercised in 1988, thereby reducing the Plan total to 195,000 shares. Presently there are 89,000 shares available to the Board of Directors for the granting of options.

Thirteen Key Employees, including Director Nominees and Executive Officers, hold 106,000 shares in currently exercisable option grants outstanding under the 1987 Plan. Three Director Nominees hold grants for 55,000 shares as follows: Kent T. Anderson, 30,000 shares; James P. McDermott, 15,000 shares; and C. L. Richardson, 10,000 shares. One executive officer, W. C. Massie, holds grants totaling 10,000 shares, making a combined total of 65,000 shares held by Director Nominees and Executive Officers under the Plan. The remaining 41,000 shares under currently exercisable options are held by 9 key employees of the Company. One key employee was granted a stock option under the 1987 Plan during fiscal 1991. Under the 1987 Incentive Stock Option Plan, any taxable gain or profit at the time of exercise of the grant is deferred until the stock acquired under the stock option is sold.

B. B. Walker Company common stock as quoted in the Over the Counter Securities Market under the NASDAQ Quotation System on January 13, 1992 was Bid $2 1/2 - Ask $3 1/4 per share.

2. APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors of the Company has selected the firm of Price Waterhouse, Winston-Salem, North Carolina, to continue as independent public accountants of B. B. Walker Company and its subsidiaries for the fiscal year ending October 31, 1992, subject to ratification by the Shareholders. Unless otherwise specified by the Shareholders, votes will be cast pursuant to the proxies hereby solicited in favor of the approval of the selection by the Board of Price Waterhouse as independent public accountants to audit the books and accounts of the Company for the 1992 fiscal year and until their successors are selected. Price Waterhouse has acted in such capacity since April, 1973.

In recommending the approval by the Shareholders of the appointment of Price Waterhouse as independent public accountants, the Board of Directors is acting upon the recommendation of management. The Board of Directors and Management are satisfied as to the professional competence and standing of Price Waterhouse. The Board of Directors sitting as an Audit Committee plans to meet with representatives of Price Waterhouse prior to the audit and review the audit scope and estimated fees for the coming year, as well as meet with representatives of Price Waterhouse subsequently to review the results of the audit.

Price Waterhouse plans to have one or more representatives present at the Annual Meeting who will have the opportunity to make a statement if desired and to respond to appropriate questions which any Shareholders might have. Management knows of no direct or indirect material financial interests or relationships that any members of such firm have with B. B. Walker Company. The vote of a majority of shares present is necessary to ratify the Board of Directors' selection of Price Waterhouse.

3. SHAREHOLDER PROPOSALS

Proposals from Shareholders for inclusion in the Proxy Statement of B. B. Walker Company relating to the next Annual Meeting of the Shareholders, must be received at the principal office of B. B. Walker Company for consideration by November 9, 1992.

4. OTHER MATTERS

The management of the Company knows of no other matters which may come before this meeting. However, if any matters other than those referred to above should come before the meeting, it is the intention of the persons named in the enclosed Proxy to vote such proxy in accordance with their best judgement.

BY ORDER OF THE BOARD OF DIRECTORS, THIS 24TH DAY OF FEBRUARY, 1992.

James P. McDermott

James P. McDermott, Secretary

B.B. Walker Company

Proxy Statement for Annual Meeting of Shareholders

Annual Meeting of Shareholders
March 16, 1992

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